



2016 INPRS UPDATE

Pension Management Oversight Committee
August 31, 2016

Steve Russo
Executive Director

About INPRS

With approximately \$30B in assets, INPRS serves the retirement needs of approximately 460,000 members and more than 1,200 public employers

- **Nine Retirement Funds**

- ☐ PERF
- ☐ TRF Pre- '96
- ☐ TRF '96
- ☐ '77 Police and Fire
- ☐ Judges
- ☐ Excise Police, Gaming Agents and Conservation Officers
- ☐ Prosecuting Attorneys
- ☐ Legislators Defined Benefit
- ☐ Legislators Defined Contribution

- **Three Non-Retirement Funds**

- ☐ Pension Relief
- ☐ Public Safety Officers' Special Death Benefit Fund
- ☐ State Employees' Death Benefit Fund

Agenda

- General Update
 - Employer/Employee Contributions
 - Investments
 - Liabilities
 - Operations
- Teacher Pre-'96 Plan & Local Public Safety Pension Relief
- COLAs & 13th Checks
- National Trends
- Governor Pence's Plan for Hoosier Innovation & Entrepreneurship
- 2016 General Assembly Enrolled Act Implementation
- INPRS Requests For PMOC Consideration

INPRS – FY16 in Review

Despite a second straight year of market underperformance, INPRS' managed pension plans remain well funded with no expected increase in 2018 employer contribution rates

- Aggregate funded status of the pre-funded plans remains unchanged at 86%
- Teacher Pre-'96 Pay-Go plan remains stable
- Less than assumed investment returns were partially offset by more than assumed employer contributions and less than assumed COLAs
 - Defined Benefit investment pool 1 year rate of return of 1.2% versus a 6.75% assumption
 - Employers paid 108% of the Actuarial Determined Contribution (ADC)
 - PERF/TRF one-time check versus a 1% COLA assumption
- Continued progress towards exemplary customer service and operational excellence

FY2016 Actual

Change In Net Position*

INPRS' Net Assets remained flat from July 1, 2015 to June 30, 2016

Net Assets – June 30, 2015	\$29.9B
-----------------------------------	----------------

Contributions	+ \$2.2B
---------------	----------

Investment Income	+ \$0.3B
-------------------	----------

Payments	- \$2.5B
----------	----------

Net Assets – June 30, 2016	\$29.9B
-----------------------------------	----------------

* Preliminary unaudited results – Excludes Pension Relief

Contributions - A Year in Review

- **INPRS' Funding Policy establishes adequate contribution rates that seek appropriate levels of stability**
 - At least the amount of the Actuarial Determined Contribution (ADC)
 - Not less than the prior year's rate until 100% funded
- **Collected \$2.2B in pension plan contributions**
 - \$ 923M Employer contributions paid as a % of actual payroll
 - \$ 878M General Fund Appropriations
 - \$ 328M Member Contributions
 - \$ 59M Soft Freeze Employer Payments
 - \$ 42M Other
- **Employers paid 108% of the Actuarial Determined Contribution (ADC)**
- **2016 HEA 1001 appropriated \$29.5M to pay the estimated cost of the FY17 13th check for PERF State, Teacher Pre-'96, and EG&C retirees**

Pension Funding Sources

FY2016 – FY2019

\$ in Millions

Fund	FY2016 Actual		FY2017 Forecast ⁴		FY2018 Forecast ^{4,5}		FY2019 Forecast ^{4,5}	
	General Fund Appropriation	Other ³	General Fund Appropriation	Other ³	General Fund Appropriation	Other ³	General Fund Appropriation	Other ³
PERF ¹		\$766.1		\$714.7		\$714.0		\$716.0
- Pre-Funded 13th Check ²	\$8.7							
TRF - Pre-1996 Account	\$816.5	\$66.5	\$841.0	\$64.3	\$866.2	\$61.7	\$892.2	\$59.1
- Pre-Funded 13th Check ²	\$41.0							
TRF - 1996 Account		\$304.1		\$345.9		\$368.3		\$390.5
1977 Fund		\$196.0		\$191.9		\$191.9		\$191.9
JRS	\$9.8	\$10.2	\$9.7	\$10.1	\$8.0	\$10.2	\$9.5	\$10.2
EG&C Plan		\$6.3		\$6.4		\$6.8		\$6.8
- Pre-Funded 13th Check ²	\$0.1							
PARF	\$1.4	\$1.3	\$1.3	\$1.5	\$2.7	\$1.5	\$3.1	\$1.5
LEDB & LEDC	<u>\$0.1</u>	<u>\$1.8</u>	<u>\$0.1</u>	<u>\$1.8</u>	<u>\$0.2</u>	<u>\$1.8</u>	<u>\$0.3</u>	<u>\$1.8</u>
Sub-Total	\$877.6	\$1,352.3	\$852.1	\$1,336.6	\$877.1	\$1,356.2	\$905.1	\$1,377.8
Pension Relief	\$155.0	\$57.3	\$160.0	\$57.2	\$150.0	\$57.2	\$145.0	\$57.2
Total	\$1,032.6	\$1,409.6	\$1,012.1	\$1,393.8	\$1,027.1	\$1,413.4	\$1,050.1	\$1,435.0

¹ Includes Soft Freeze Paymenets of \$59.1 Million in FY16

² Includes Pre-Funded 13 Check for FY16 & FY17

³ Other includes member contributions, employer contributions, lottery proceeds, docket & court fees, cigarette & alcohol taxes.

⁴ Based on the 6/30/2015 Actuarial Valuation. The Other forecast for FY2018 and FY2019 could change.

⁵ Based on the preliminary 6/30/2016 Actuarial Valuation. The General Fund Appropriation forecast for FY 2018 and FY2019 could change.

Estimated FY16 INPRS Contributions (ADC)

\$ in Thousands

Defined Benefit Retirement Plans	FY2016 (Actual Payroll Based Adj)			FY2015 (Actual Payroll Based Adj)		
	Actuarial Determined Contribution (ADC) Adj for Actual Payroll	GF Appropriation/ Employer/ Other Contributions ¹	Percentage Contributed	Actuarial Determined Contribution (ADC) Adj for Actual Payroll	GF Appropriation/ Employer/ Other Contributions ¹	Percentage Contributed
PERF	\$ 489,615	\$ 547,721	111.9%	\$ 517,717	\$ 536,203	103.6%
TRF 1996 Account	\$ 180,375	\$ 215,626	119.5%	\$ 178,260	\$ 205,526	115.3%
1977 Fund	\$ 113,353	\$ 151,299	133.5%	\$ 118,881	\$ 146,384	123.1%
Judges	\$ 17,485	\$ 16,946	96.9%	\$ 18,865	\$ 21,020	111.4%
EG&C Plan	\$ 4,078	\$ 5,297	129.9%	\$ 4,820	\$ 5,215	108.2%
PARF	\$ 1,381	\$ 1,440	104.3%	\$ 1,419	\$ 1,063	74.9%
LEDB	\$ 138	\$ 138	100.0%	\$ 119	\$ 131	110.1%
Aggregate Pre-Funded Plans	\$ 806,425	\$ 938,467	116.4%	\$ 840,081	\$ 915,542	109.0%
TRF Pre-1996 Account (Pay-As-You-Go)	\$ 851,548 ²	\$ 851,548	100.0%	\$ 851,427 ²	\$ 851,427	100.0%
Aggregate All INPRS Plans	\$ 1,657,973	\$ 1,790,015	108.0%	\$ 1,691,508	\$ 1,766,969	104.5%

¹ Excludes member ASA contributions, Soft Freeze Payments and Pre-Funded 13th Check.

² TRF Pre-1996 Appropriation is determined by State Statute & is therefore shown in lieu of ADC.

2017 Board Approved Contribution Rates vs. the Actuarial Determined Contribution

\$ In Thousands

<u>Defined Benefit Retirement Plans</u>	<u>2017 Actuarially Determined Contribution (ADC) Rates</u>	<u>Board Approved Contribution Rates</u>
PERF		
State ¹	10.11%	11.20%
Political Subdivision ²	9.76%	11.20%
TRF 1996 Account¹	6.57%	7.50%
1977 Fund²	8.54%	17.50%
EG&C Plan²	13.93%	20.75%
Judges¹ - Appropriation	\$13,324	\$16,824
PARF¹ - Appropriation	\$2,170	\$1,486
LEDB¹ - Appropriation	\$170	\$135
TRF Pre-1996 Account¹ - Appropriation	\$841,000	\$841,000

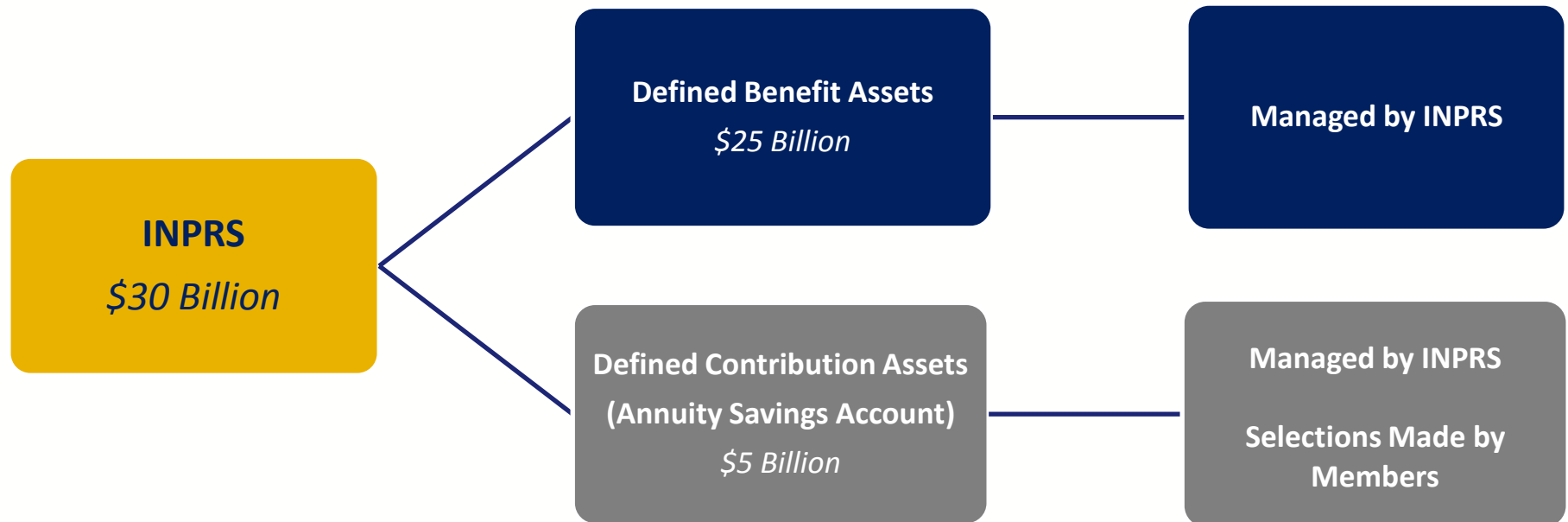
¹ Approved Funding Rates become effective July 1st, 2016

² Approved Funding Rates become effective January 1st, 2017

Investments - A Year in Review

- INPRS' total *market value of assets* = \$29.9 billion
- In a continuation of a low return environment, INPRS' defined benefit plan returned 1.2% in FY16
- The *actuarial value of assets* is used in calculating the funded ratio and actuarial required contributions. Investment returns are smoothed over 5 years. Better returns in FY14 are dampening lower returns in FY15 and FY16
- Continue to target 6.75% long-term rate of return assumption; most realistic among state plans
- Synergies of combined PERF/TRF assets continue to reduce fees: Net Present Value Savings = \$370.8M

INPRS Assets Are a Mix of Defined Benefit and Defined Contribution Monies



INPRS' Defined Benefit Investment Imperatives

- Achieve a 6.75% return over the long term
- Achieve the return as efficiently & effectively as possible
- Always have enough cash on hand to pay benefits

INPRS' Asset Allocation Process

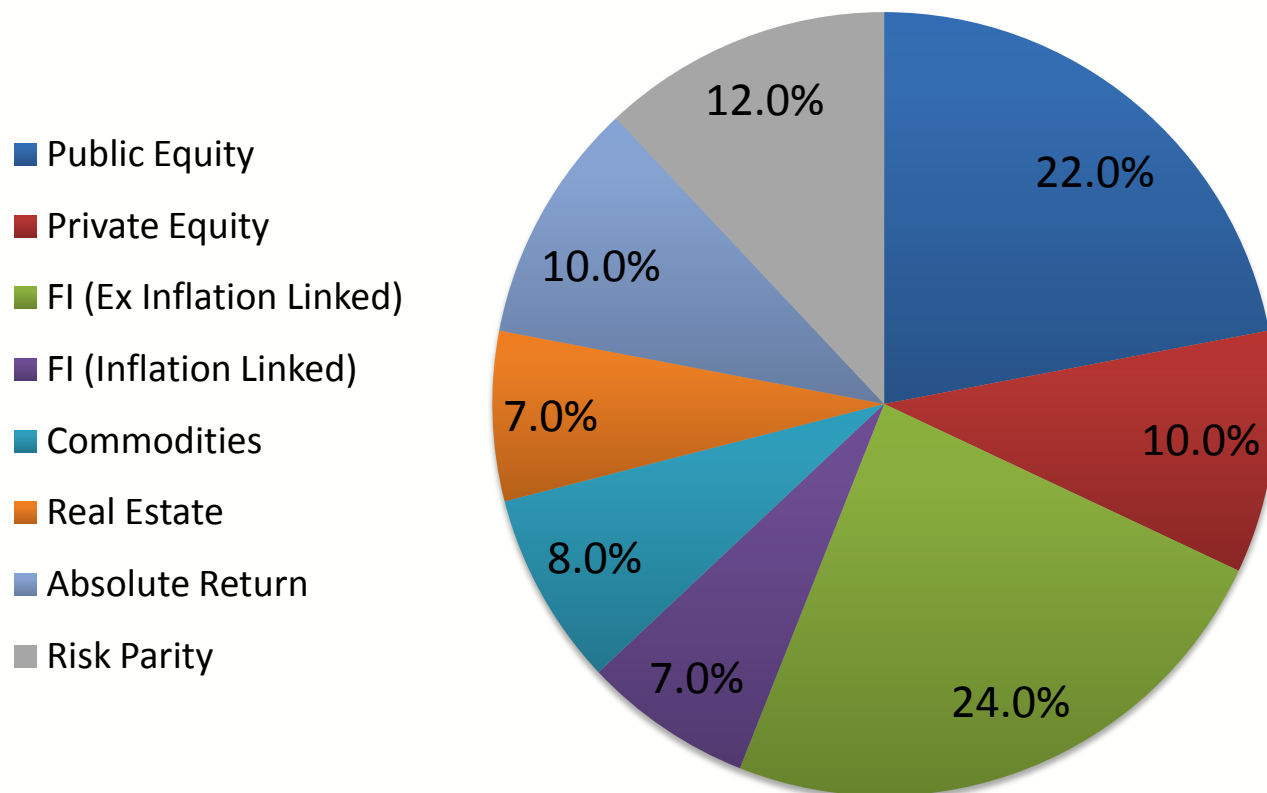
“The board shall invest its assets with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The board also shall diversify investments in accordance with prudent investment standards”

- 1) Understand liabilities, cash flows & profile of employers
- 2) Understand stakeholders' risk tolerance
- 3) Analyze various asset allocations vs. INPRS' objectives
 - Mean Variance Optimization based on established principles of Modern Portfolio Theory
 - Run as many historical scenarios & stress tests as possible
 - Seek input from the best asset allocators across the globe
- 4) Select target asset allocation & ranges for asset classes
- 5) Avoid “knee-jerk” portfolio changes (*volatility & scary headlines are normal*)

Diversification means you're always saying “sorry” for something.

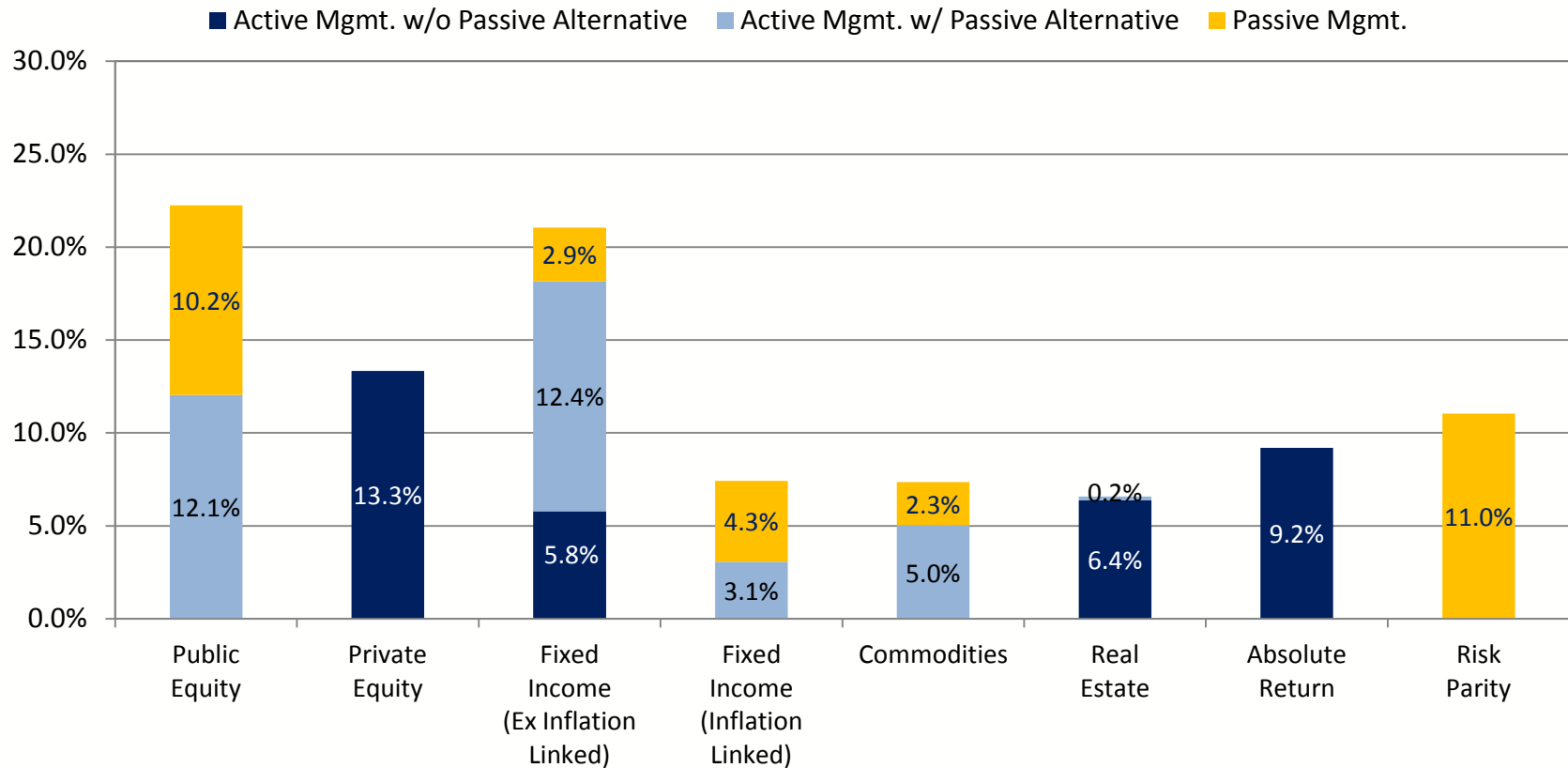
Defined Benefit Target Asset Allocation

No changes from the asset-liability study in FY15



INPRS' Split Between Active & Passive Portfolios

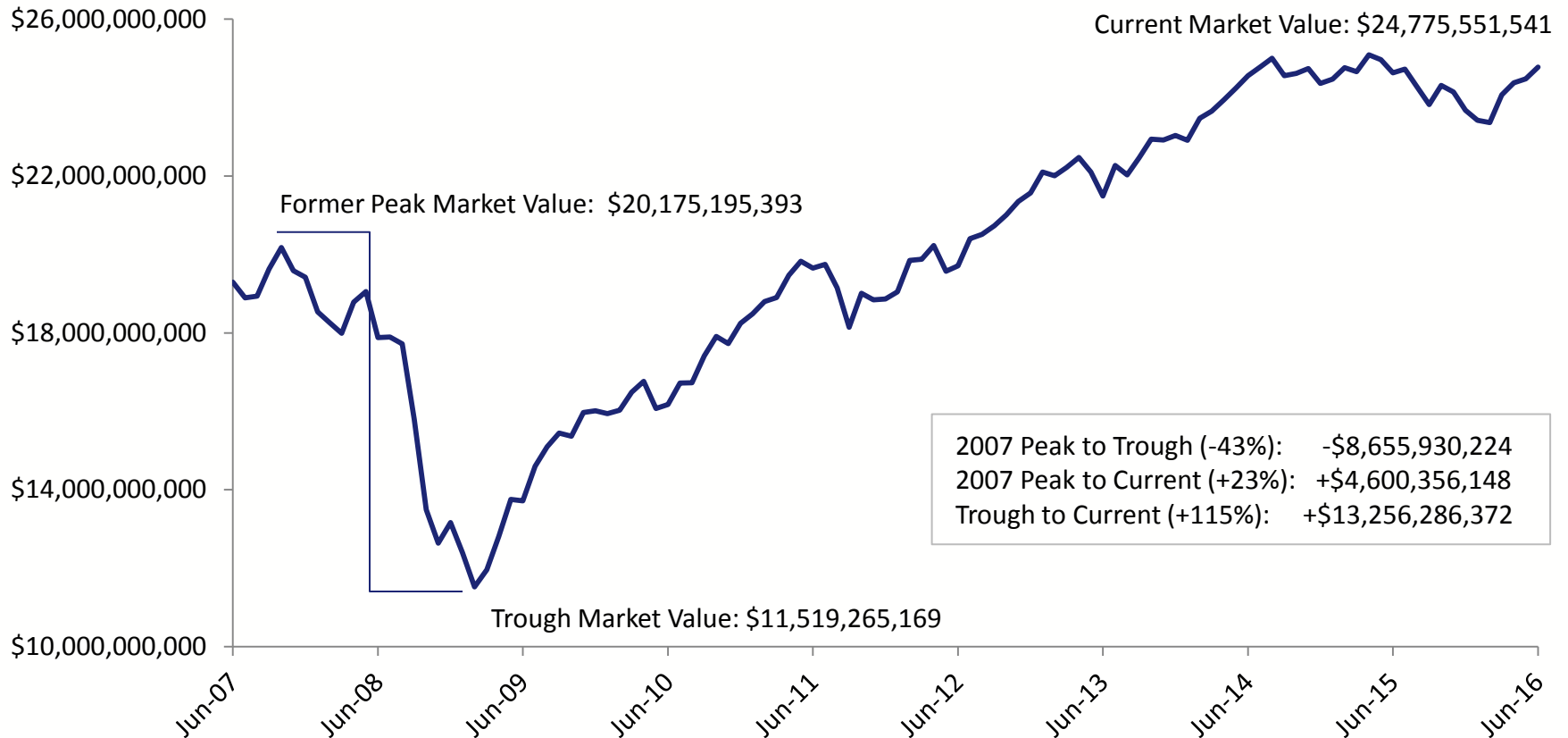
INPRS will conduct a review of active/passive exposures during FY17



Actual asset allocation as of June 30, 2016. Cash excluded from the analysis.

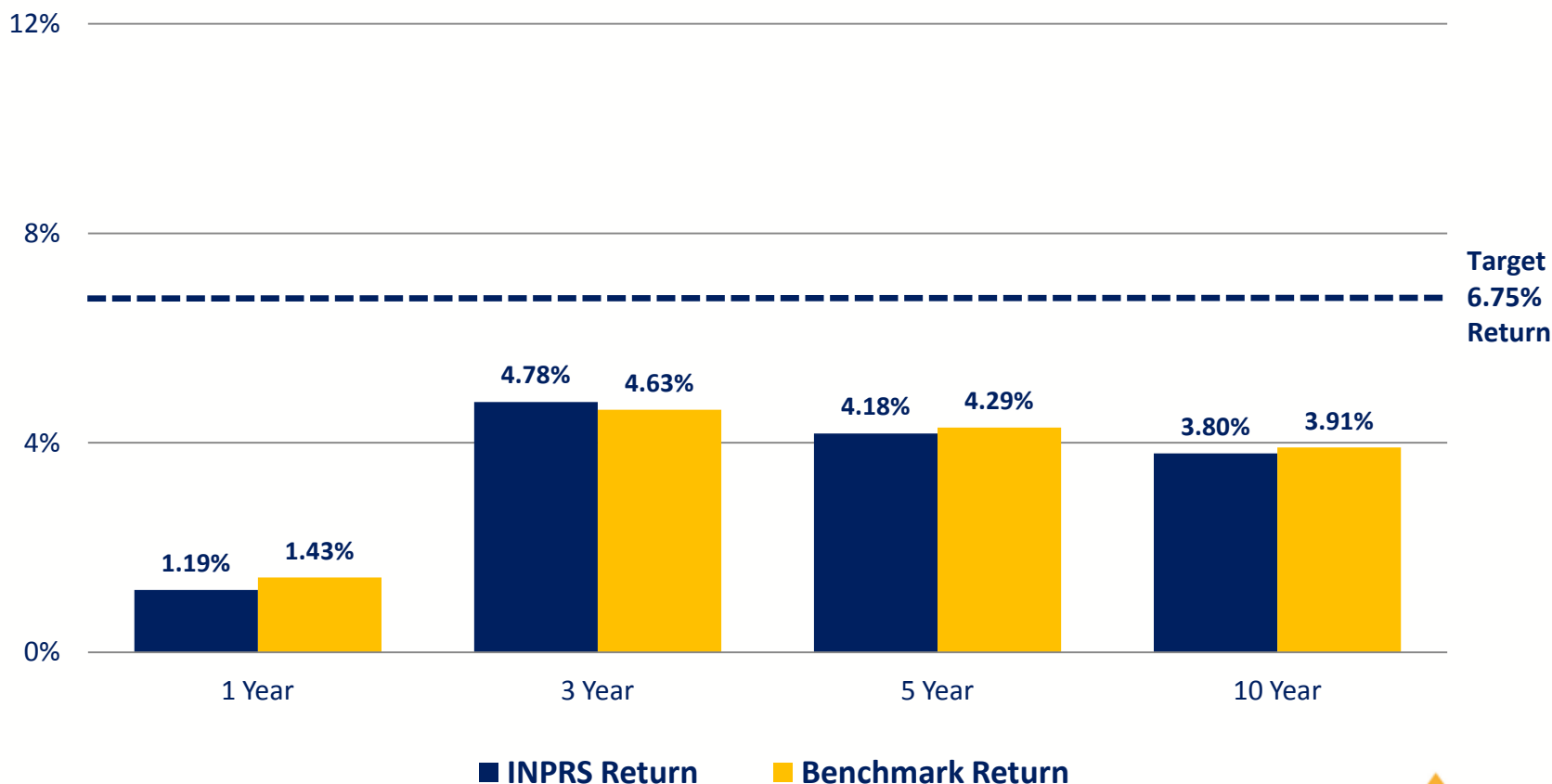
Defined Benefit Balance Through Time

INPRS DB Market Value (As of 6/30/2016)

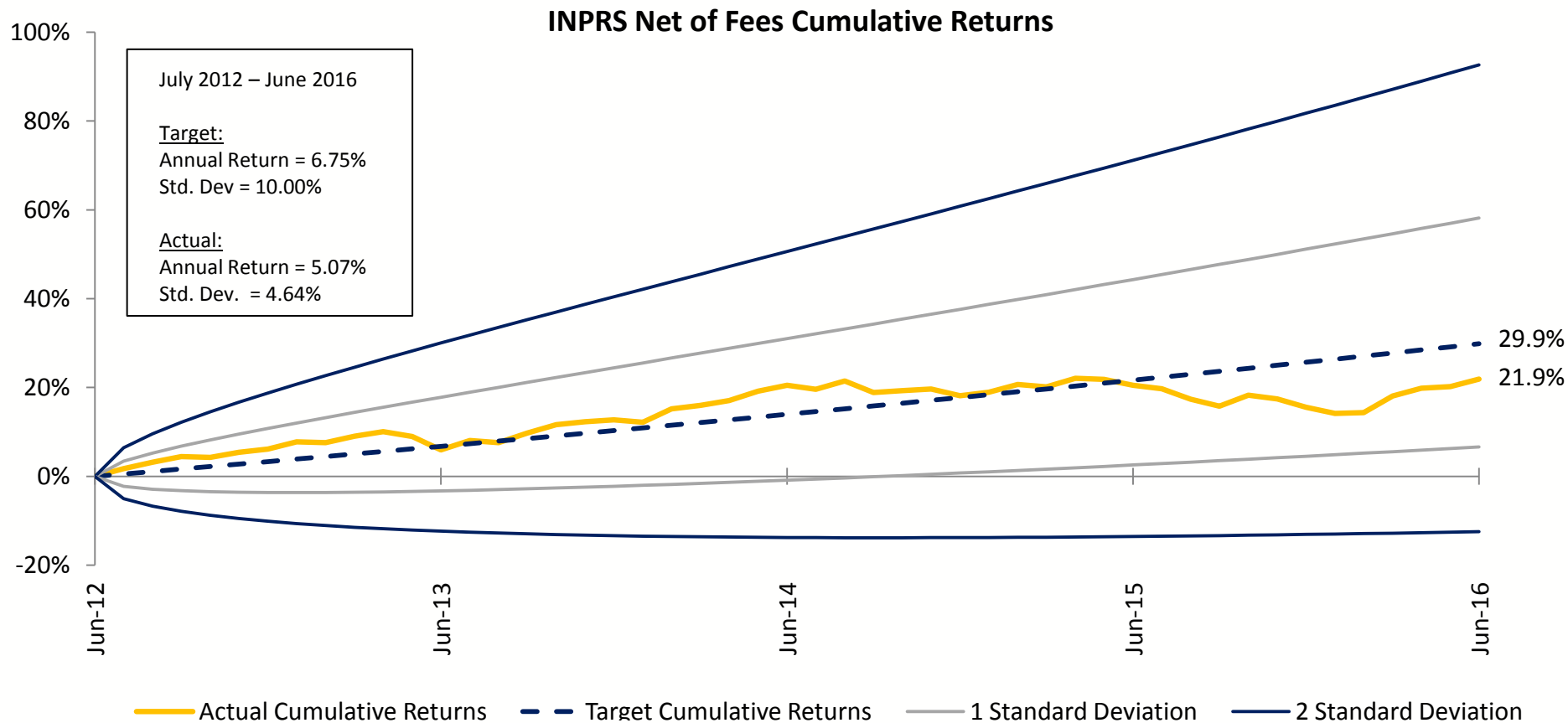


Defined Benefit Performance vs. Benchmarks

Annualized Net of Fee Returns as of 6/30/16



Defined Benefit Performance vs. 6.75% Objective

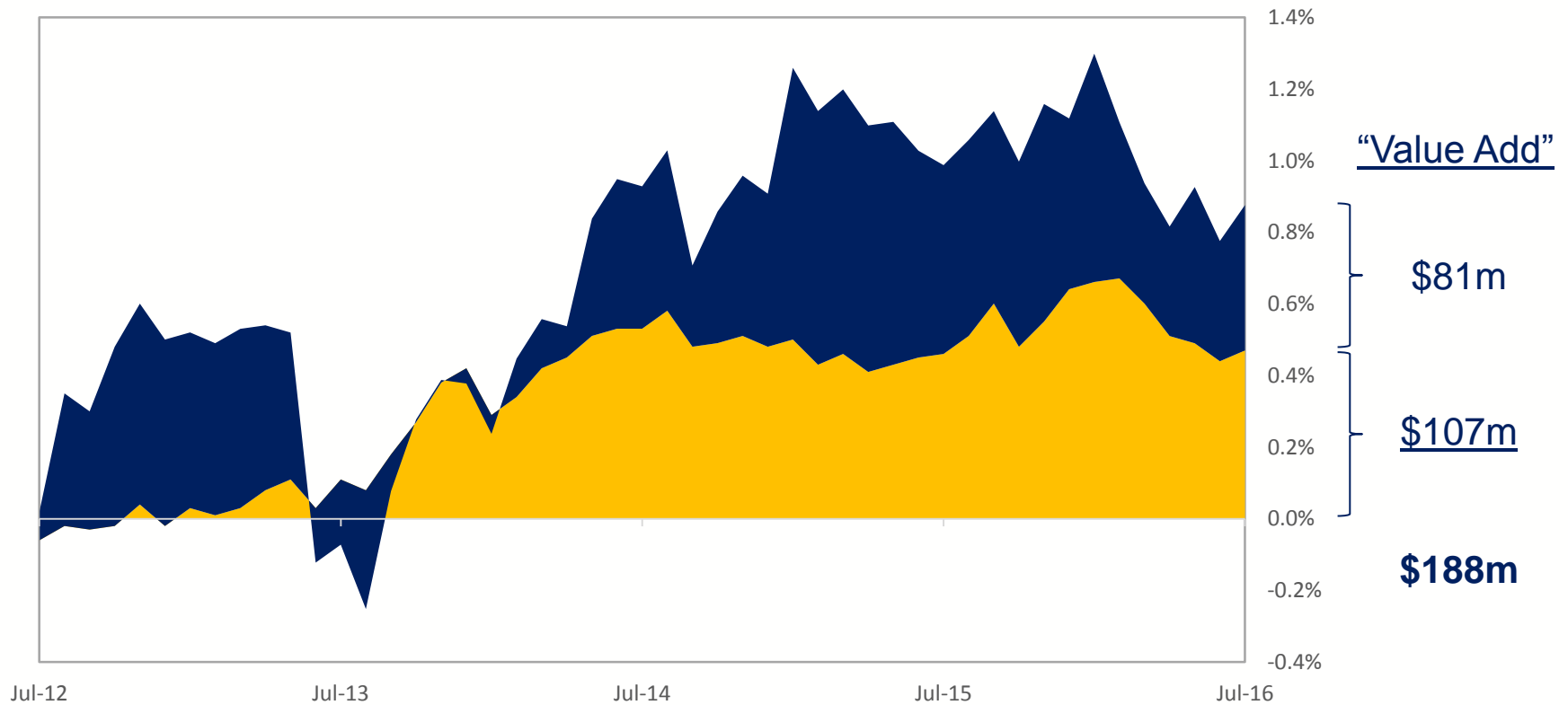


INPRS DB “Value Add”

July 2012 – July 2016

INPRS Net of Fees Cumulative Excess Returns over the Target Index

■ Cumulative Asset Allocation Value Add ■ Cumulative Manager Selection Value Add



FY16 Defined Benefit Investment Management & Performance Fees¹

0.64% of INPRS' Total DB Market Value²

\$11.0M	Passive Fees
+ \$34.5M	Active Mgmt. + Performance Fees in Public Asset Classes ³
+ <u>\$110.8M</u>	<u>Alternative Asset Class Mgmt. + Performance Fees⁴</u>
= \$156.3M	Total INPRS Investment Mgmt. + Performance Fees

CEM Benchmarking, an industry-leader in evaluating the efficiency of public pensions, analyzed INPRS' CY14 investment management fees.

- ✓ *INPRS' fees were slightly lower than peers after adjusting for asset allocation differences between plans*
- ✓ *INPRS outperformed its benchmark more than peers (net of all fees) & added \$291M of value to the plan*

¹ Unaudited estimates.

² Based on average market values of the individual portfolios throughout the year.

³ Includes performance fees for Public Equity and Fixed Income asset classes.

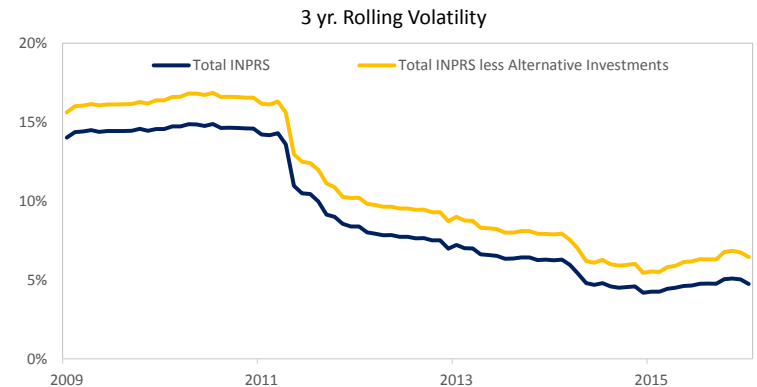
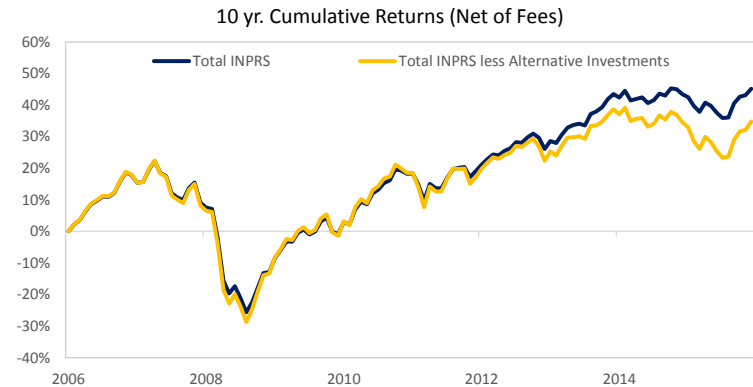
⁴ Includes performance fees for Absolute Return asset class.

Alternative Investments

Although more expensive than merely investing in public markets, alternative investments¹ have had two positive results:

INPRS' total returns have been higher than they would have been without alternative investments²...

...and INPRS' total volatility has been lower because of them.



¹ Alternative investments includes Private Equity, Real Estate, and Absolute Return.

² Assumed that any allocation to alternative investments would have been allocated pro-rata to the remaining asset classes based on INPRS' asset allocation.

Annuity Savings Account (ASA) Philosophy

1) Keep it simple

Reducing complexity & number of investment options believed to lead to better outcomes based on research from leading DC experts

2) Keep it cheap

Leverage the size of the Defined Benefit assets to lower the fees across investment options

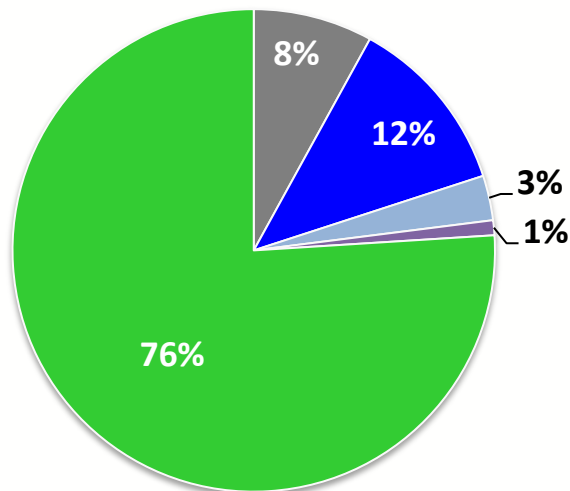
3) Have a diversified default option

Most members elect to stay invested in the default option through retirement

Annuity Savings Account (ASA) Fund Allocation

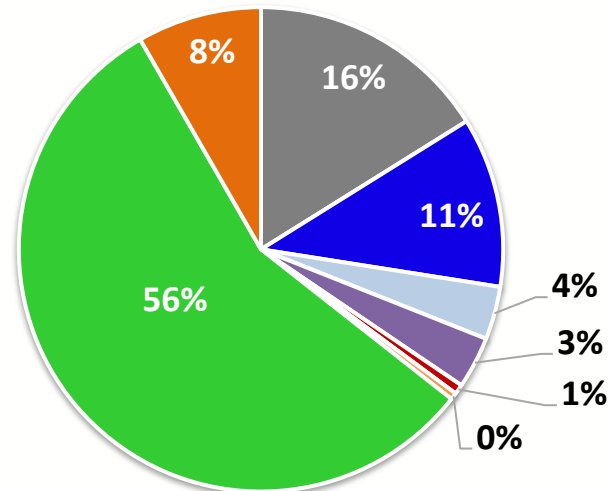
2007

- Large Cap Equity Index Fund
- Small/Mid Cap Equity Fund
- International Equity Fund
- Fixed Income Fund
- Guaranteed Fund



2016

- Large Cap Equity Index Fund
- Small/Mid Cap Equity Fund
- International Equity Fund
- Fixed Income Fund
- Inflation-Linked Fixed Income Fund
- Money Market Fund
- Target Date Funds
- Guaranteed Fund



Sudan and Terror States Divestment Update 2016

- ✓ 9 publicly traded securities, representing less than 0.02% of INPRS' assets, are on-track for divestment per legislative mandate.

INPRS continues to be in full compliance with the Sudan and Terror States Divestment legislation

2016 HEA1378 Divestment from Boycott Israel Business Implementation Update

- INPRS is contracting with MSCI to provide the Boycott Israel Business Restricted List. MSCI currently provides the Sudan/Terror Restricted List to INPRS.
- MSCI will supply the Boycott Israel Business Restricted List to INPRS in Q4 2016.
- INPRS plans to divest investments on the Boycott Israel Business Restricted List by 12/31/2016, in compliance with HB 1378.

Unfunded Liabilities

A Year in Review

- No changes in actuarial assumptions in FY16
- Two changes in actuarial methods in FY16
 - Amortization periods shortened from 30 years to 20 years for most funds
 - 5-year asset smoothing in lieu of 4-year asset smoothing

\$ In Millions

INPRS Unfunded Liability- 6/30/15 **\$15,946.1**

Low Investment Return	416.0
13th Check vs. COLA - PERF & TRF	(139.7)
Contributions	(355.4)
Demographics / Other ¹	211.5

INPRS Unfunded Liability- 6/30/16 **\$16,078.5**

¹ Includes demographic gains/losses, lower COLA in the 1977 Fund and slightly higher COLA for Judges.

Estimated Funded Status as of June 30, 2016

\$ in Millions

Defined Benefit Retirement Plans	Actuarial Value of Assets Funded Status as of June 30, 2016					Actuarial Value of Assets Funded Status as of June 30, 2015				
	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Status		Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Status	
PERF	\$ 18,408.9	\$ 14,553.1	\$ 3,855.8	79.1%		\$ 17,980.6	\$ 14,131.9	\$ 3,848.7	78.6%	
TRF 1996 Account	6,391.7	5,865.7	\$ 526.0	91.8%		5,905.7	5,461.2	444.5	92.5%	
1977 Fund	5,039.8	5,255.3	(215.5)	104.3%		4,680.7	4,939.3	(258.6)	105.5%	
Judges	501.1	469.4	31.7	93.7%		468.9	447.5	21.4	95.4%	
EG&C Plan	139.0	118.5	20.5	85.3%		132.8	112.8	20.0	84.9%	
PARF	84.5	56.5	28.0	66.9%		77.9	54.9	23.0	70.4%	
LEDB Plan	4.0	3.2	0.8	80.7%		4.3	3.3	1.0	77.1%	
Aggregate Pre-Funded Plans	\$ 30,569.0	\$ 26,321.7	\$ 4,247.3	86.1%		\$ 29,250.9	\$ 25,150.9	\$ 4,100.0	86.0%	
TRF Pre-1996 Account (Pay-As-You-Go)	16,840.2	5,009.0	11,831.2	29.7%		17,017.7	5,171.6	11,846.1	30.4%	
Aggregate All INPRS Plans	\$ 47,409.2	\$ 31,330.7	\$ 16,078.5	66.1%		\$ 46,268.6	\$ 30,322.5	\$ 15,946.1	65.5%	

FY16 Year End Performance and Year Over FY 15 Trend

Portfolio Performance

DB Rate of Return



DB Sharpe Ratio



Fees Below Peer Median



ASA - Rate of Return



Process

Call Center Performance



Cash Distributions on Time



Unmodified Audit Opinion



Pending Code Changes



Learning/Growth & Risk

Employee Engagement



Audit Findings



Compliance



Customer and Financial

Funded Status -- Prefunded plans



Actuarial Determined Contributions



Employer Contributions



Cost per Member



Performance to Budget



Customer Complaints



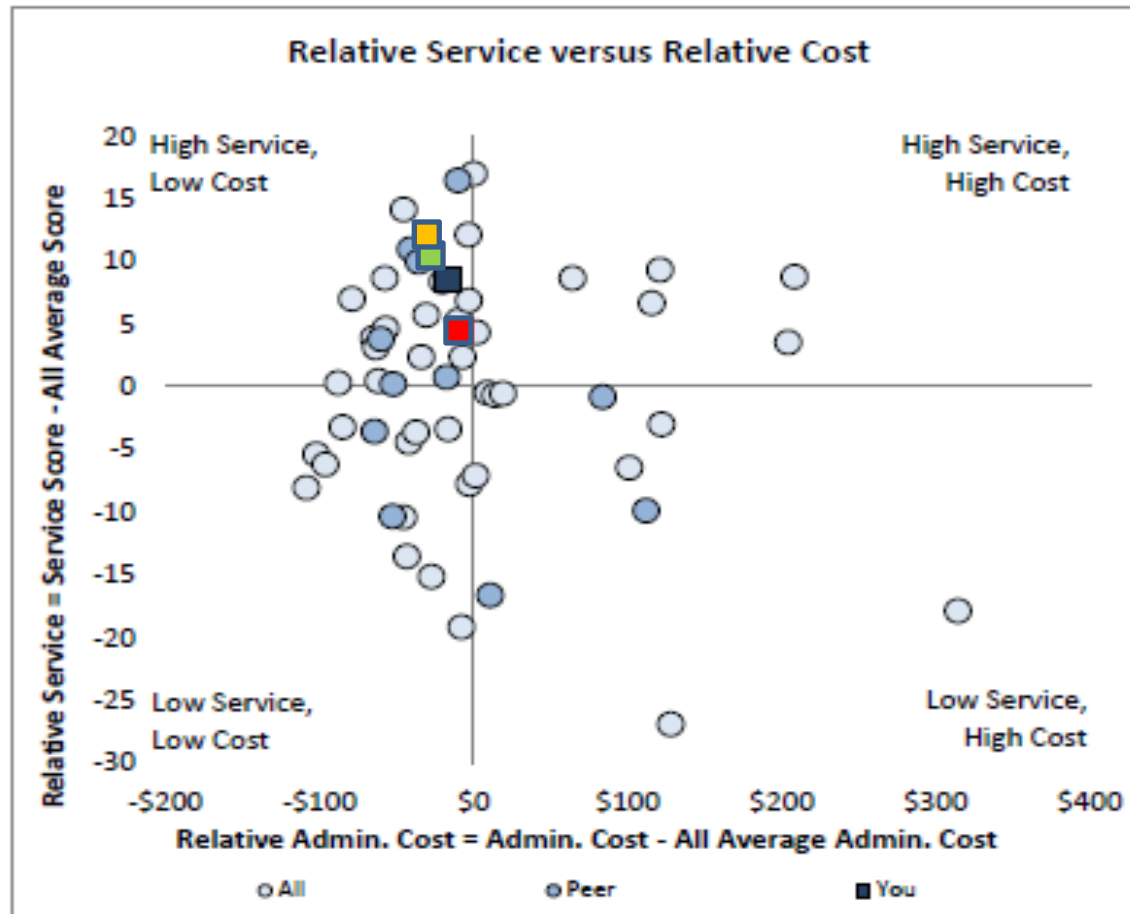
Benchmark Service Score



Dissatisfaction Red Flags



INPRS Is Higher In Service & Lower In Cost Relative To Our Peer Group



© 2015 CEM Benchmarking Inc.
Executive Summary - Page 14

FY16 Strategic Plan Accomplishments

- Achieved 56 of 58 (97%) of our annual key operational requirements
 - Missed our 6.75% Defined Benefit pool rate of return on a 1, 3, 5 and 10-year basis
 - Monthly financial closings completed by the 12th business day of each month were not consistently achieved
- Completed or on track with 89% of 47 long-term strategic objectives
 - Leveraged quality management tools to improved member experiences
 - Improved call center performance
 - Improved website satisfaction
 - Increased use of member online tools
 - Increased member awareness of ASA
 - Implemented ASA Only for PERF local units
 - Reached agreements with PERF “soft freeze” employers
 - Improved software quality assurance capabilities
 - Improved IT security and disaster recovery capabilities
 - Recordkeeping and ASA annuities transition program is underway

FY 2017 Top 5 Strategic Objectives

1. Complete implementation of FY 2015 and FY 2016 Legislative changes to INPRS systems to maintain compliance
 - Soft Freeze
 - Debit Cards
 - Elimination of Guaranteed Fund, introduction of Stable Value Fund
2. Successfully execute an Integrated Vendor Business Model that optimizes service
(Custodian - Benefit Payroll - ASA Record Keeping - ASA Annuity- Call Center- Website)
3. Move the ASA portion of the defined benefit plans to a defined contribution plan, ensuring compliance with IRS regulations and determining cost allocation split
4. Evaluate implementation of an internal investment management program
5. Enhance Data Integrity and Security

ASA Only Plan For PERF Political Subdivisions

- 2014 HEA1466 created an optional ASA Only Plan for PERF political subdivisions (PSDs)
 - PSDs are able to offer ASA Only, Hybrid, or a choice between ASA Only and Hybrid to new hires
- The ASA Only Plan provides PERF PSDs control over their contribution rates
 - A mandatory 3% contribution must be paid by the employer, employee or shared by the employer and employee (same as today)
 - Employer is also required to pay the supplemental rate which funds the unfunded liability in the PERF Hybrid plan (7.2% effective 1/1/17). Employers pay this amount to INPRS, not the employee's ASA
 - New employers who have never offered PERF Hybrid, but who choose to offer only the ASA Only plan will not have to pay the supplemental rate
 - Employers can pay a supplemental contribution into an employee's ASA from 0 percent to the normal cost percent (4.0% effective 1/1/17)
- 5 employers enrolled in the ASA Only Plan as of July 1, 2016
 - 2 employers are only offering ASA Only to new hires
 - 3 employers are offering new hires a choice between PERF ASA Only and PERF Hybrid
 - 155 employers have attended informational seminars

Teachers' Retirement Fund (TRF)

Pre-1996 Account Update – PSF Only

- 3% year-over-year appropriations growth for FY2017 – FY2019

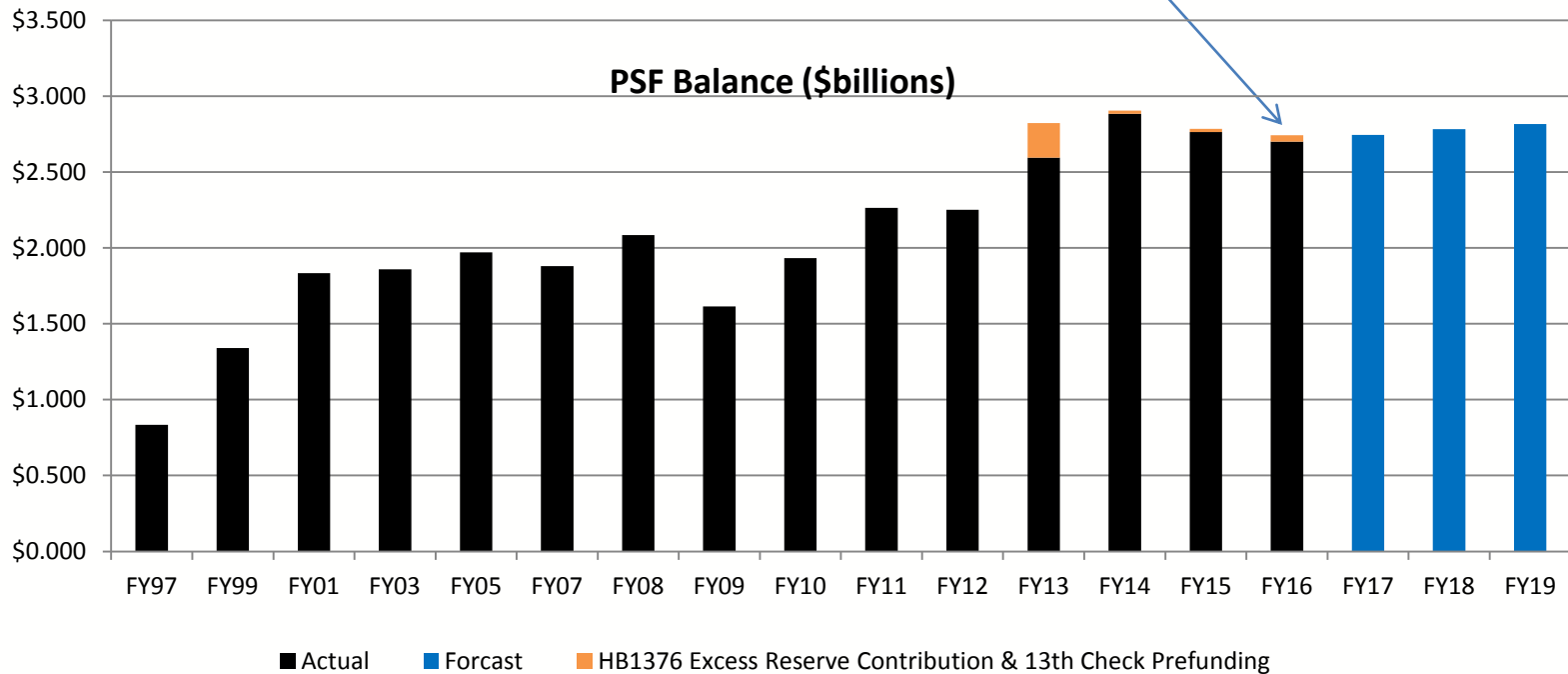
<i>\$ Millions</i>	<u>Actual FY13</u>	<u>Actual FY14</u>	<u>Actual FY15</u>	<u>Actual FY16</u>	<u>Forecast¹ FY17</u>	<u>Forecast¹ FY18</u>	<u>Forecast¹ FY19</u>
<u>Total:</u>							
Benefit Payments	(\$873.4)	(\$916.7)	(\$972.8)	(\$989.7)	(\$1,014.5)	(\$1,050.1)	(\$1,082.4)
General Fund Appropriations	\$747.2	\$776.3	\$792.8	\$816.5	\$841.0	\$866.2	\$892.2
Amount Withdrawn from PSF	(\$126.2)	(\$140.4)	(\$180.0)	(\$173.2)	(\$173.5)	(\$183.9)	(\$190.2)
Lottery Transfer	\$30.0	\$30.0	\$32.5	\$30.0	\$30.0	\$30.0	\$30.0
Other Income	\$13.6	\$3.2	\$5.8	\$5.0	\$6.3	\$7.2	\$7.1
Investment Gains / (Losses)	\$142.5	\$376.8	\$0.8	\$34.4	\$182.3	\$185.4	\$188.0
13th Check Prefunding ²	\$19.6	\$19.3	\$20.3	\$41.0	-	-	-
State Excess Reserve Income	\$206.8	-	-	-	-	-	-
Closeout: COLA Reserve Account	\$58.7	-	-	-	-	-	-
PSF Balance	\$2,595.5	\$2,884.4	\$2,763.8	\$2,701.0	\$2,746.1	\$2,784.8	\$2,819.7

¹ Based on the 6/30/2015 Actuarial Valuation. FY17, FY18 and FY19 forecast benefit payments could change.

² 13th Check: FY16 - \$20.3M & FY 17 \$20.7M

TRF Pre-'96 Pension Stabilization Fund

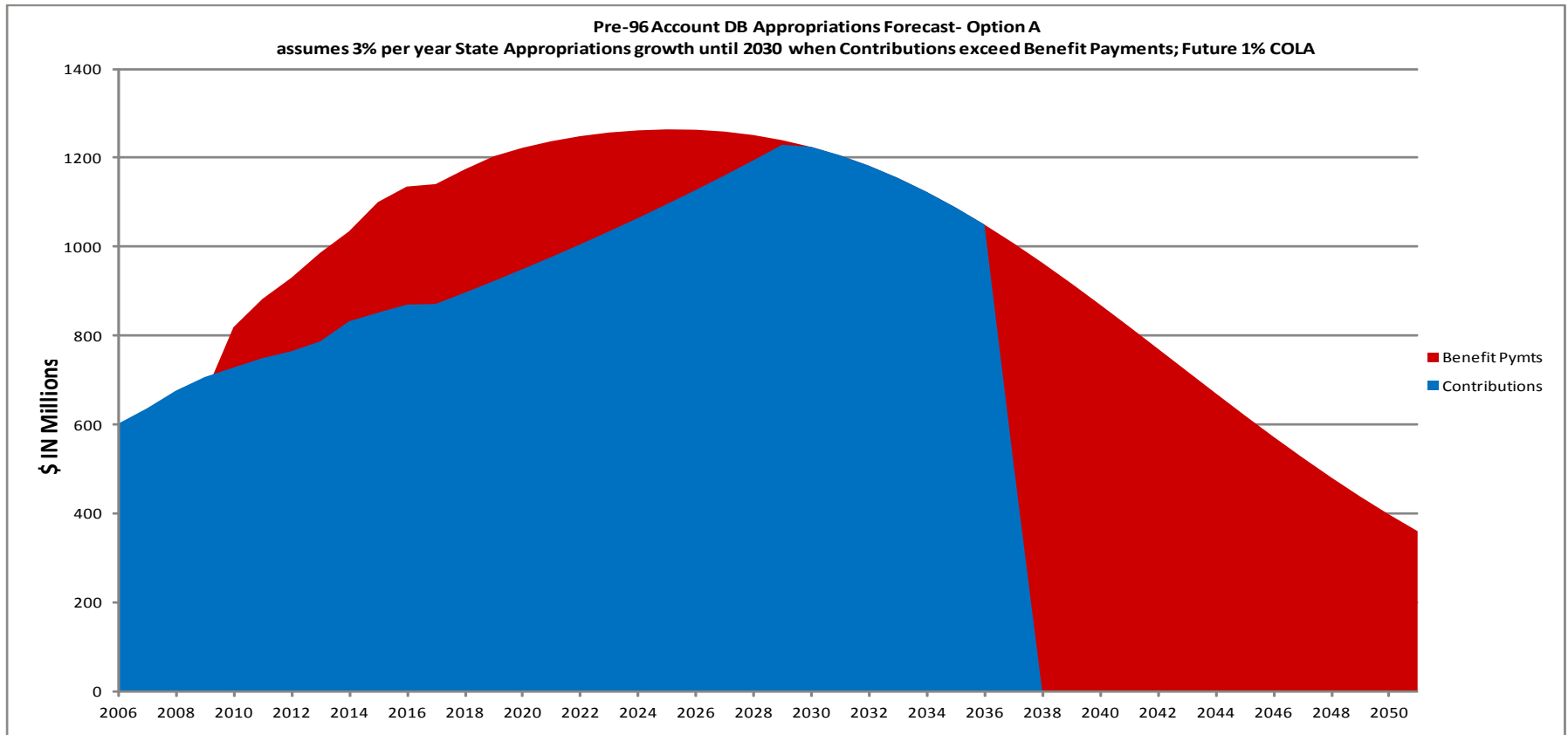
Balance as of June 30, 2016 = \$2.7B



Long Term TRF Pre-'96 Funding Options

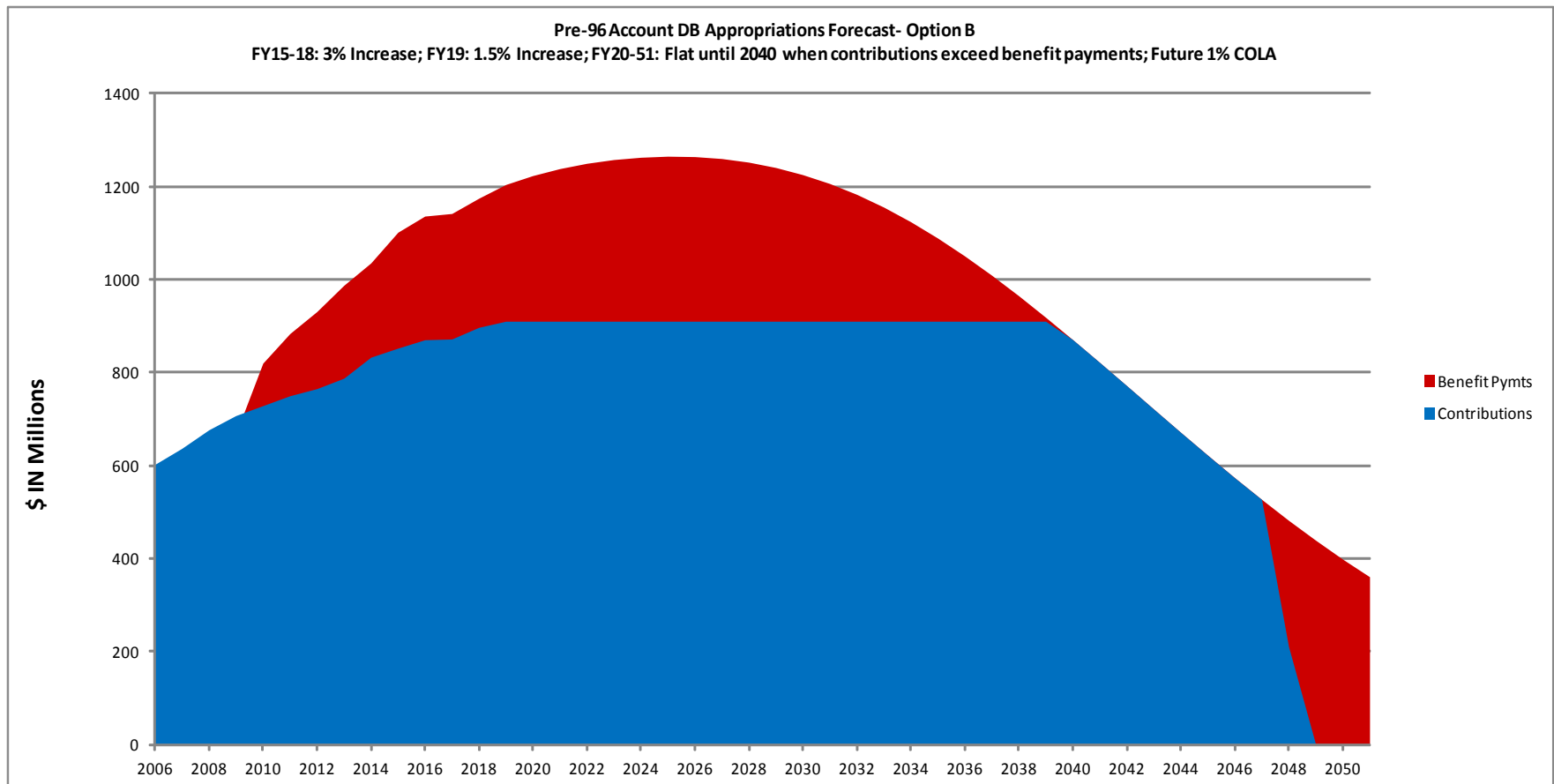
- While near term GF appropriations should maintain 3% growth, the legislature will have options in the future
 - Option A – Maintain 3% appropriations growth until 100% funded
 - Option B – Manage appropriations to maintain positive PSF balance

Teachers' Retirement Fund (TRF) Pre-'96 Account Forecast – Option A – PSF and ASA Annuities*



*Based on the 6/30/2015 Valuation, includes both Pension Benefit Payout, PSF Assets and ASA Annuities

Teachers' Retirement Fund (TRF) Pre-'96 Account Forecast – Option B – PSF and ASA Annuities



Based on the 6/30/2015 Valuation, includes both Pension Benefit Payout, PSF Assets and ASA Annuities

Pension Relief

Established in 1977 to help cities and towns with the costs of legacy police and firefighter retirement plans

\$ in millions

	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Forecast	FY2018 Forecast	FY2019 Forecast
<u>Additions</u>								
General Fund Appropriation (State)		\$ 180.0	\$ 145.0	\$ 175.0	\$ 155.0	\$ 160.0	\$ 150.0	\$ 145.0
Lottery (State)		30.0	30.0	32.5	30.0	30.0	30.0	30.0
Cigarette Tax (State)		24.7	23.8	23.4	23.6	23.5	23.5	23.5
Alcohol Tax (State)		3.4	3.4	3.6	3.7	3.7	3.7	3.7
Public Deposit Insurance Fund (PDIF)		0.5	0.2	0.0	0.0	0.0	0.0	0.0
Investment Income		0.1	0.1	0.1	0.3	0.1	0.1	0.1
Total Additions		\$ 238.7	\$ 202.5	\$ 234.6	\$ 212.6	\$ 217.3	\$ 207.3	\$ 202.3
<u>Deductions</u>								
Pension Relief Distributions		\$ 219.8	\$ 219.4	\$ 217.7	\$ 215.8	\$ 212.4	\$ 211.3	\$ 209.5
Death Benefits		0.3	0.3	0.6	0.0	0.3	0.3	0.3
Other (Local Unit Withdrawals & Admin. Expenses)		0.4	2.2	0.5	0.0	0.1	0.1	0.1
Total Deductions		\$ 220.5	\$ 221.9	\$ 218.8	\$ 215.8	\$ 212.8	\$ 211.7	\$ 209.9
Pension Relief Fund Balance	\$ 18.4	\$ 36.6	\$ 17.2	\$ 33.0	\$ 29.8	\$ 34.3	\$ 29.9	\$ 22.3
Memo: Local Unit Balances	\$ 4.5	\$ 4.2	\$ 2.1	\$ 1.6	\$ 1.7	\$ 1.6	\$ 1.5	\$ 1.5

PERF / TRF COLAs & 13th Checks

- COLAs are not free! (a one-time 1% PERF & TRF COLA = \$195M)
 - Increase from \$162M in FY15 primarily due to members living longer and a higher number of retirees
- “13th Checks” aren’t free either, but are cheaper than COLAs (\$55M)
- Actuaries factor in ad-hoc COLAs based upon historical experience. The actuaries currently assume a 1% annual COLA. Each 1% of COLA cumulatively equals
 - Approximately \$2.8B of PERF/TRF liabilities
 - 4.1 percentage point change in funding ratio
 - 2.39 and 1.83 percentage points of the PERF and TRF contribution rates respectively
- When the General Assembly grants a COLA / 13th Check, there is a cost to both state and local units of government including schools
 - For all but the TRF Pre-’96 account, COLAs are funded by the employer as part of their contribution rate (1% COLA = \$86.6M, 13th Check = \$33.0M)
 - For the TRF Pre-’96 account, COLAs and 13th checks are funded directly from the state general fund (1% COLA = \$108.4M, 13th Check = \$21.7M)

National Trends

- Funding levels are stabilizing, but experience varies widely among plans
- Assumptions for inflation and investment returns continue to decrease
- Liability growth rates remain low due to historically lower hiring and salary growth
- Costs have risen and will remain high for some plans. State and local government spending for pensions in FY13 was 4.1% of general spending
 - Ranged from 1.6% to 8.0%. Indiana was 4.2%
- The pace of pension reforms has slowed considerably. Five plans implemented reform in FY15 versus a peak of 27 in 2011. Most reforms included higher employee contribution rates and higher retirement ages for new hires.

Governor Pence's Plan for Hoosier Innovation & Entrepreneurship

July 14, 2016 - Governor Pence announced a 10-year plan to foster Indiana's entrepreneurial culture, spark new ideas and companies, and propel long-term economic growth and job creation

- The plan includes a **request** from the Governor for INPRS to invest \$500M in early-stage and mid-market Indiana companies with a stated expectation that INPRS “maintain all oversight and due diligence to ensure investments are made in the best interests of its members”
- Since 2002, INPRS has prudently achieved a 7.2% annualized return on \$350M of commitments to Indiana-focused privately owned companies and funds
- INPRS is an independent body by statute and has a fiduciary duty solely to its members within statutory and regulatory constraints
- Decisions to establish additional funds to support the Governor's plan are at the sole discretion of INPRS and will be done in accordance with our fiduciary duty
- The Governor's plan benefits INPRS members by
 - Raising near term awareness that INPRS seeks prudent Indiana-focused investment opportunities
 - Providing a catalyst for the creation of future investment opportunities

2016 General Assembly Summary

▪ **HEA 1032 – Various Pension Matters**

- Replaced Guaranteed Fund with Stable Value Fund
- Changed processing of inactive accounts
- Special Death Benefit for EMS contractors – annual payments
- Changing beneficiaries
- Commingling Excise Police, Gaming and Conservation Fund
- Soft Freeze payment date
- Limited option for certain PERF Hybrid members to convert to State ASA Only

▪ **SEA 148 – Public Employees Defined Contribution Plan**

- Portability – member allowed to choose regardless of prior service if their new employer gives member choice
- 2nd retirements – employer may allow retired hybrid members to enroll or continue in ASA-only
- Consolidating ASA Only into DB hybrid – member may use ASA Only to purchase DB time

▪ **HEA 1161 – 13th Check**

- **HEA 1359 – Increasing maximum age for new 1977 Fund member from 36 to 40 & mandatory retirement age of 70**
- **HEA 1378 – Divestment from Boycott Israel businesses**

INPRS Requests For PMOC Consideration

PERF and TRF Partial ASA Distributions

- Current law only allows a PERF and TRF member to take a one-time complete withdrawal, rollover, or annuity conversion of their ASA account, including a one-time mandatory action when the member hits the age for an IRS minimum distribution
- It is industry standard to permit partial distributions over time, including annual minimum distributions as required by the IRS
- INPRS' ASA recordkeeper has standard capabilities to provide members with flexibility as afforded members in standard private sector DC accounts
- INPRS recommends allowing PERF and TRF partial ASA distributions
- There is no fiscal impact

PERF and TRF ASA Decoupling

- For members with both a PERF and TRF ASA account, current law limits the member to only one option at retirement for both ASA accounts
- There is no known policy or administrative reason why the member should not be allowed to select one option at retirement for one account and to select another option at retirement for the other account
- For example, a member may want to withdraw, rollover, annuitize or keep the account ASA active while wanting to do something different with their other account
- INPRS recommends decoupling PERF and TRF ASA accounts
- There is no fiscal impact

TRF Minimum Benefit Calculation

- Current law combines the DB benefit and the ASA Annuity when determining the TRF minimum benefit
- This policy inherently disadvantages the member who elected to annuitize their ASA
- Current law becomes more difficult to administer when ASA Annuities are provided by a third party
- INPRS recommends eliminating the optional ASA annuity amount when determining the TRF minimum benefit
- Minimal fiscal impact

Death Benefit Fund Consolidation

- Current law establishes two separate line-of-duty death benefit funds
 - State Employees' Death Benefit Fund (\$8.4M as of June 30, 2016)
 - Public Safety Officers' Special Death Benefit Fund (\$6.3M as of June 30, 2016)
- Members of the '25, '37, '53, and the '77 Funds are paid a special death benefit from the Pension Relief Fund
- There is no known reason why the funds could not be combined while preserving the current benefit eligibility rules and benefit amounts for state employees and public safety officers
- INPRS recommends combining the existing death benefit funds and having all death benefits including Pension Relief Fund death benefits paid from a consolidated fund
- No fiscal impact, however reduces administrative complexity

PERF and TRF Survivor Benefit Forfeiture

3-Year Rule

- Current law directs survivor 3-year rule forfeitures from the member ASA accounts to the applicable Defined Benefit fund
- Upon elimination of the Guaranteed Fund and implementation of third party ASA Annuities, ASA accounts will fall under a more common set of IRS regulations that will not allow for the transfer of member DC monies to the Defined Benefit pools
- 2016 HEA1032 addressed inactive ASA accounts, however a correction to IC 5-10.2-3-7.5(k) was missed
- INPRS requests a change to the statute that if the benefit is not claimed, the board shall determine where to direct the forfeitures. Provides the board the ability to establish in IAC the appropriate rules to match IRS regulations

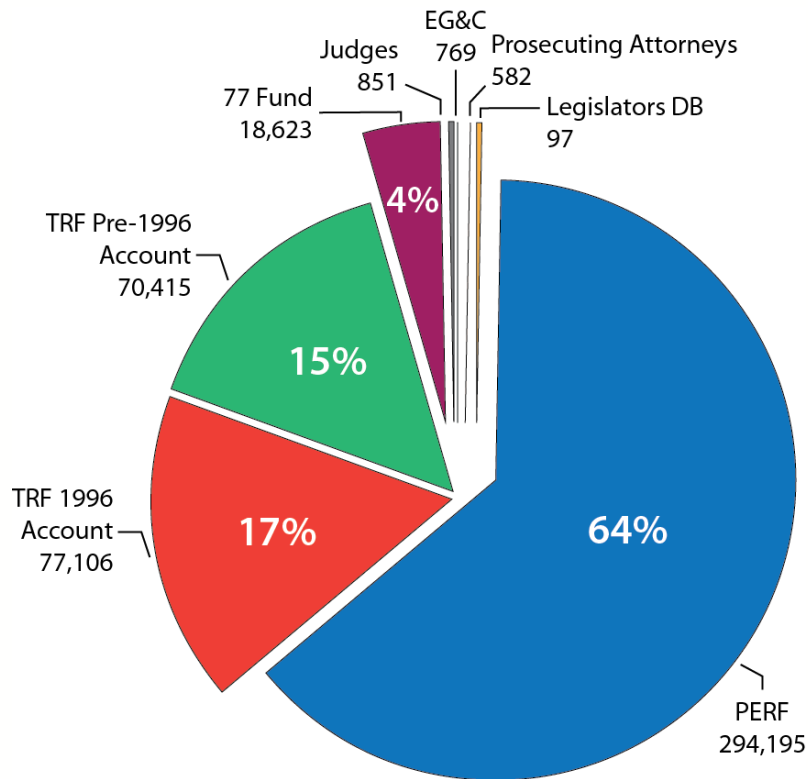
APPENDIX

Overview – Member Demographics

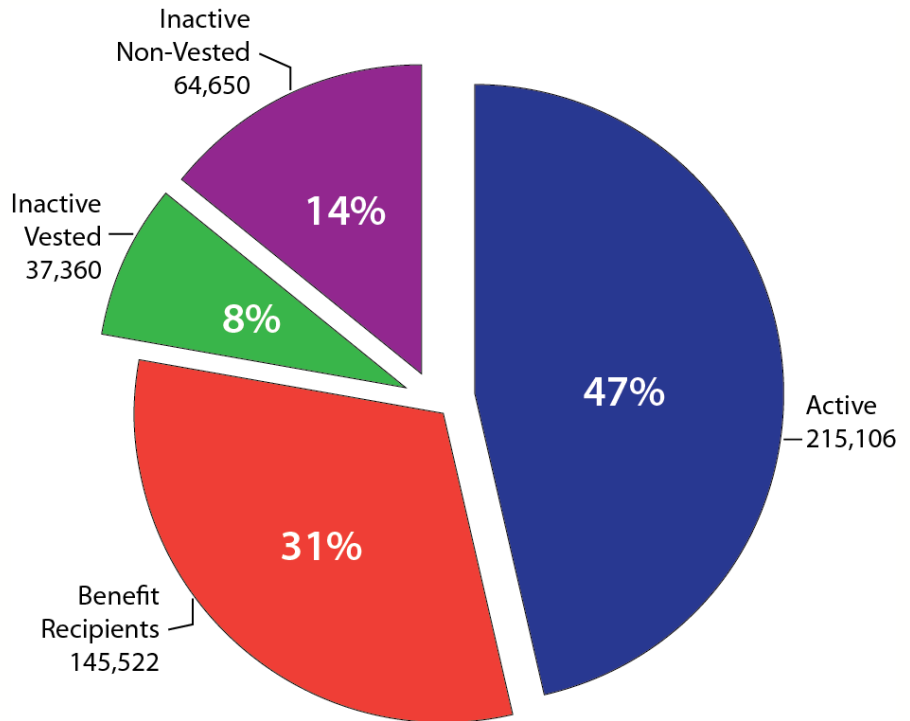
(as of June 30, 2015)

460,000+ Members

Members by Fund



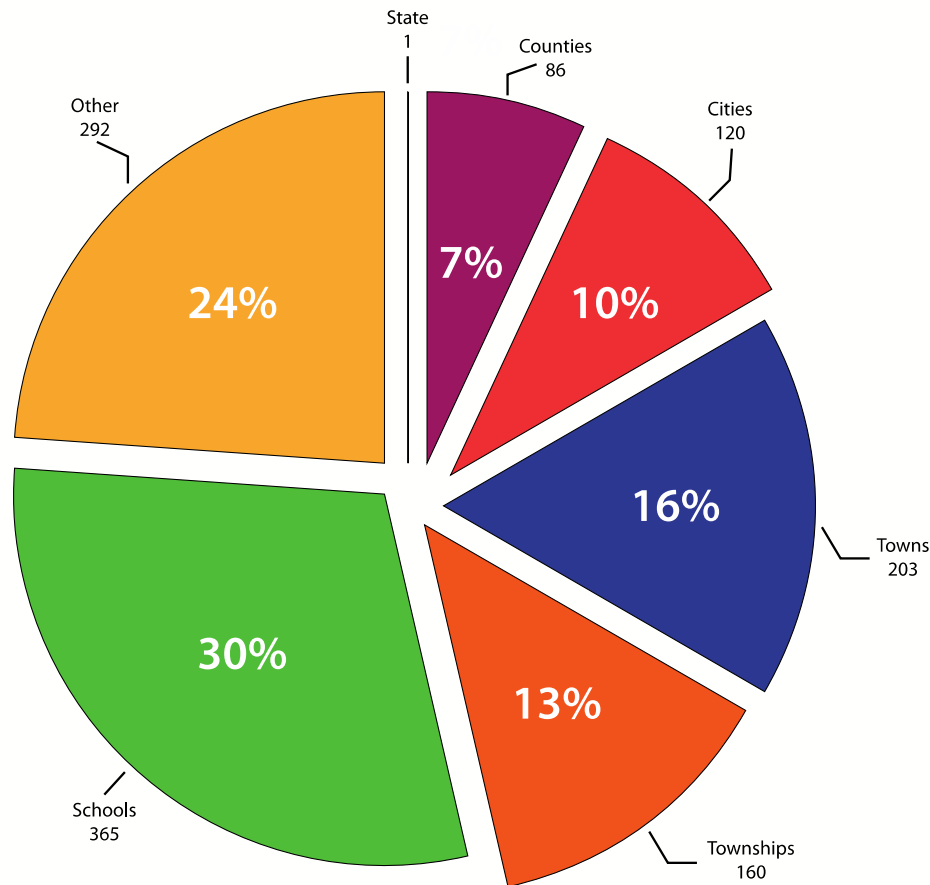
Members by Status



Overview – Employer Demographics

(as of June 30, 2015)

1,200+ Employers



Where does the money come from?

Indiana Pension Receipts 1993 - 2012

Employers: 48%

Investment Earnings: 35%

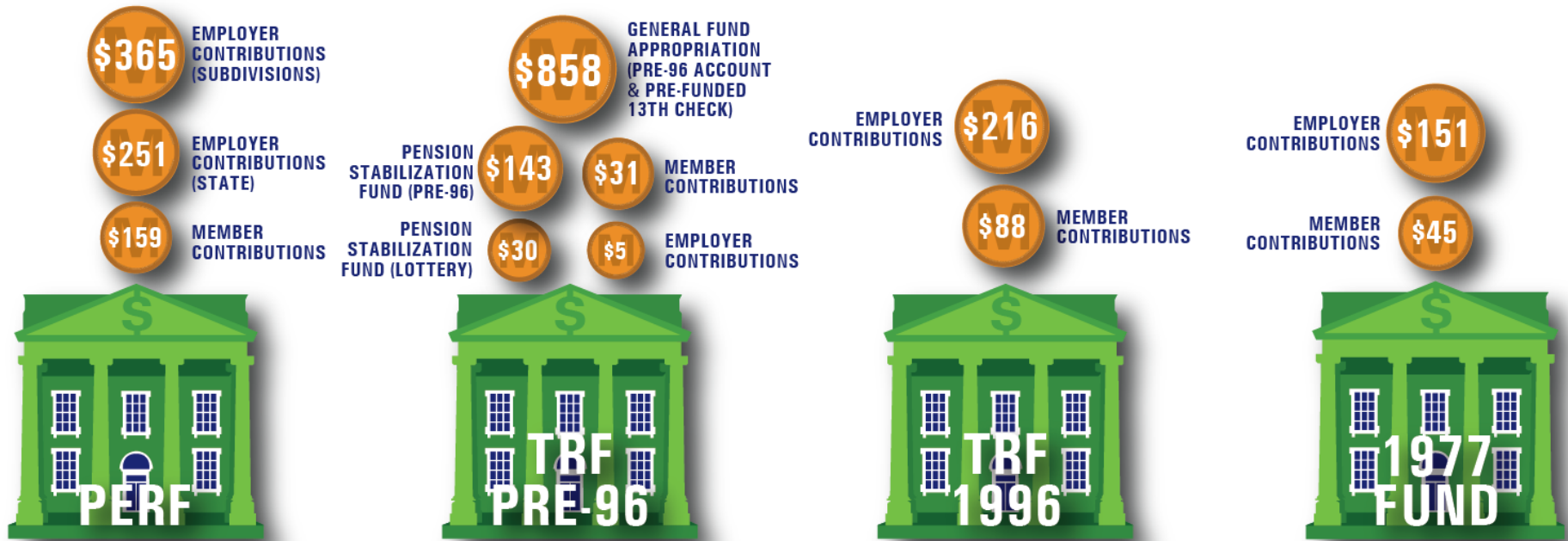
Employees:
17%



Source: National Institute On Retirement Security - Pensionomics 2014

INPRS' Contribution Sources – FY 2016

108.0% of Actuarial Determined Contributions (ADC) Paid in FY16*



**Estimate pending final actuarial analysis*

INPRS' Contribution Sources – FY 2016



Purposes of the Asset Classes Outside of Stocks & Bonds

Private Equity

To provide risk-adjusted returns in excess of public equity markets through various strategies (e.g. operational improvements to the invested companies).

Real Estate

To provide attractive risk-adjusted returns by producing stable income and preserving capital. It also serves as a diversifier and protection against inflation in certain environments.

Absolute Return

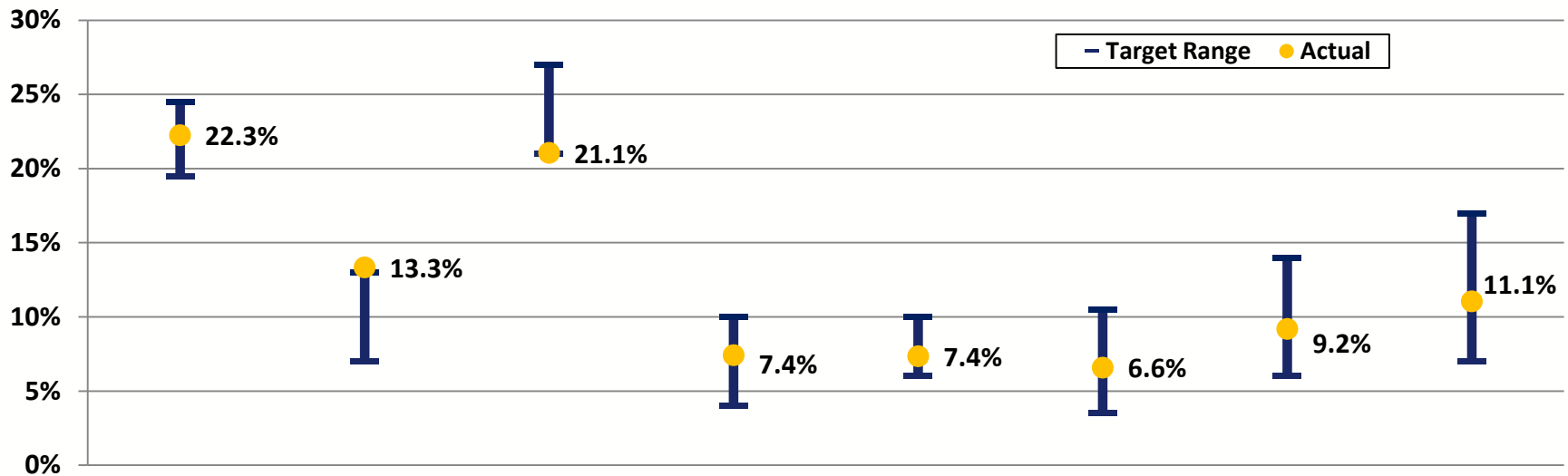
To provide unique, diversifying return streams and reduce volatility by utilizing strategies that are less constrained.

Commodities

To provide protection when inflation is higher than expected and linked to goods / inputs.

Asset Allocation & Performance

As of 6/30/16



	Public Equity	Private Equity	Fixed Income (Ex Inflation-Linked)	Fixed Income (Inflation-Linked)	Commodities	Real Estate	Absolute Return	Risk Parity
1 Year Return	-4.31%	6.81%	8.94%	5.36%	-19.61%	8.09%	-2.87%	1.69%
3 Year Return	6.27%	12.33%	5.80%	3.51%	-14.20%	9.64%	3.61%	4.75%
5 Year Return	5.88%	12.13%	4.89%	3.50%	-11.82%	10.33%	2.97%	
10 Year Return		9.42%	5.97%	5.27%		5.61%	3.09%	

INPRS' Return Projections

	INPRS' Target Weight ¹	Projected 10-yr Returns ² (June 30, 2016)
U.S. Inflation		2.0%
U.S. Large Cap Stock	10.3%	5.9%
U.S. Small Cap Stock	0.9%	5.2%
Int'l Developed Mkt Stock	8.4%	9.2%
Emerging Mkt Stock	2.4%	11.3%
Private Equity	10.0%	8.2%
Fixed Income	24.0%	5.2%
Inflation-Linked Bonds (TIPS)	7.0%	2.7%
Commodities	8.0%	4.0%
Real Estate	7.0%	4.7%
Hedge Funds	10.0%	6.0%
Risk Parity	12.0%	7.0%
10-yr Projected Return		6.60%
30-yr Projected Return		6.57 – 6.87%

¹Approved at the June 2015 INPRS Board meeting.

²Source: Verus. Annualized, geometric returns. Due to the historically low interest rates and slow growth across the globe, expectations remain low.

ASA Performance (Net of Fees)

As of June 30, 2016

	Market Value (\$MM)	% of ASA	1 Year	3 Year	5 Year ¹
Large Cap Equity Index Fund <i>S&P 500 Index</i>	826	16.1	3.99 <i>3.99</i>	11.64 <i>11.66</i>	12.09 <i>12.10</i>
Small/Mid Cap Equity Fund <i>Russell Small Cap Completeness Index</i>	582	11.3	-4.82 <i>-5.22</i>	7.97 <i>8.59</i>	8.84 <i>9.34</i>
International Equity Fund <i>MSCI ACWI ex US</i>	181	3.5	-8.94 <i>-10.24</i>	2.44 <i>1.16</i>	0.94 <i>0.10</i>
Fixed Income Fund <i>Barclays Aggregate</i>	178	3.5	5.35 <i>6.00</i>	3.95 <i>4.06</i>	4.06 <i>3.76</i>
Inflation Linked Fixed Income Fund <i>Barclays US TIPS Index</i>	34	0.7	3.55 <i>4.35</i>	2.03 <i>2.31</i>	2.53 <i>2.63</i>
Stable Value Fund² <i>Citi 3 Month T-Bill Index</i>	1	0.0	1.42 <i>0.14</i>	2.18 <i>0.07</i>	2.48 <i>0.06</i>
Money Market Fund <i>Citi 3 Month T-Bill Index</i>	23	0.5	0.29 <i>0.14</i>	0.15 <i>0.07</i>	0.14 <i>0.06</i>
Guaranteed Fund³ <i>Payout Rate</i>	2874	56.0	1.92 <i>0.46</i>	1.70 <i>0.35</i>	1.72 <i>0.61</i>
Consolidated DB Assets⁴ <i>Combined PERF TRF BM</i>	9	0.2	0.31 <i>1.43</i>	4.30 <i>4.63</i>	3.96 <i>4.29</i>
Target Date Funds⁵	426	8.3			
TOTAL ASA ASSETS⁶	5,134	100.0			

¹All returns are hypothetical composite returns, with the exception of the Stable Value Fund and Consolidated DB Assets, which are actual. ²Only available as a stand-alone option in the ASA only and LEDC plans, but is a component of the target date funds. ³Guaranteed Fund assets are invested in short duration fixed income. ⁴Only available in the LEDC plan. ⁵Returns and indices are on the Target Date Funds Performance slide. ⁶Total assets in the PERF, TRF and LEDC plans.

Target Date Funds Performance (Net of Fees) As of June 30, 2016¹

	Market Value (\$MM)	% of Target Date Funds	1 Year	3 Year	5 Year
2060 Fund <i>2060 Fund Index</i>	2	0.4	-1.12 -1.55	5.65 5.19	5.50 4.90
2055 Fund <i>2055 Fund Index</i>	51	11.9	-1.14 -1.55	5.61 5.18	5.18 4.81
2050 Fund <i>2050 Fund Index</i>	56	13.1	-1.14 -1.55	5.61 5.18	5.18 4.81
2045 Fund <i>2045 Fund Index</i>	39	9.2	-1.14 -1.55	5.61 5.18	5.18 4.81
2040 Fund <i>2040 Fund Index</i>	40	9.4	-1.16 -1.55	5.60 5.18	5.17 4.81
2035 Fund <i>2035 Fund Index</i>	47	11.1	-0.74 -1.02	5.65 5.28	5.18 4.86
2030 Fund <i>2030 Fund Index</i>	48	11.3	1.08 1.10	5.52 5.28	5.00 4.75
2025 Fund <i>2025 Fund Index</i>	57	13.5	2.15 2.30	4.86 4.64	4.61 4.32
2020 Fund <i>2020 Fund Index</i>	61	14.2	2.55 2.66	4.16 3.85	4.14 3.71
Retirement Fund <i>Retirement Fund Index</i>	25	5.8	3.03 3.07	3.28 2.78	3.46 2.73
TOTAL TARGET DATE FUNDS	426	100			

¹The assets in the PERF, TRF and LE plans were merged on 4/1/2013. Prior to 4/1/2013, all data presented is calculated from manager composite performance.

Sudan and Terror States Divestment

HEA 1067 (Sudan Divestment)

If a company continues to have scrutinized active business operations 90 days after the Fund first sends written notice to the company, the Fund shall sell, redeem, divest, or withdraw all publicly traded securities of the company that are held by the Fund, as follows:

- At least 50% in 9 months
- 100% in 15 months.

HEA 1547 (Terror States Divestment)

If a company continues to have scrutinized active business operations 180 days after the Fund first sends written notice to the company, the Fund shall sell, redeem, divest, or withdraw all publicly traded securities of the company that are held by the Fund, as follows:

- At least 50% in 3 years
- At least 75% in 4 years
- 100% in 5 years

Sudan and Terror States Divestment Update 2016

HEA 1067 (Sudan Divestment)

INPRS holds no securities on the Sudan Restricted List.

HEA 1547 (Terror States Divestment)

Securities will be divested by 12/31/2016	
Security Description	Market Value as of 6/30/2016
GTH FINANCE BV 144A	\$ 122,862
INFRASTRUTTURE WIRELESS ITALIA	\$ 77,115
JAPAN DRILLING CO LTD	\$ 2,135
TELECOM ITALIA CAPITAL SA	\$ 330,026
TELECOM ITALIA SPA/MILANO	\$ 839,597
TELECOM ITALIA SPA/MILANO REGS	\$ 803,224
TELENOR ASA	\$ 809,979
WIND ACQUISITION FINANCE 144A	\$ 901,821
WIND ACQUISITION FINANCE REGS	\$ 281,626
Grand Total	\$ 4,168,387

COLAs

	<u>Ad-Hoc</u>	<u>Auto</u>
PERF	✓	
TRF	✓	
'77 Police & Fire		✓
Judges		✓
Excise, Gaming & Conservation Officers	✓	
Prosecuting Attorneys	✓	
Legislators DB	✓	
Legislators DC		N/A

Auto COLA History

1977 Police and Fire (CPI, Max. 3%)

<u>7/1/2006</u>	<u>7/1/2007</u>	<u>7/1/2008</u>	<u>7/1/2009</u>	<u>7/1/2010</u>	<u>7/1/2011</u>	<u>7/1/2012</u>	<u>7/1/2013</u>	<u>7/1/2014</u>	<u>7/1/2015</u>	<u>7/1/2016</u>
3.0%	2.4%	3.0%	0.0%	2.4%	2.1%	2.8%	1.7%	1.4%	0.0%	1.1%

Judges '77 System (Whenever salary of the position changes)

<u>7/1/2006</u>	<u>7/1/2007</u>	<u>7/1/2008</u>	<u>7/1/2009</u>	<u>7/1/2010</u>	<u>7/1/2011</u>	<u>7/1/2012</u>	<u>7/1/2013</u>	<u>7/1/2014</u>	<u>7/1/2015</u>	<u>7/1/2016</u>
2.00%	7/1-4.0%	3.25%	0.0%	0.0%	1.3%	2.2%	3.1%	0.0%	2.2%	3.1%
	12/2-1.5%									

Judges '85 System (Ad-Hoc before 2011, same as '77 system after 2010*)

<u>7/1/2006</u>	<u>7/1/2007</u>	<u>7/1/2008</u>	<u>7/1/2009</u>	<u>7/1/2010</u>	<u>7/1/2011</u>	<u>7/1/2012</u>	<u>7/1/2013</u>	<u>7/1/2014</u>	<u>7/1/2015</u>	<u>7/1/2016</u>
0.0%	0.0%	2.0%	2.0%	0.0%	1.3%	2.2%	3.1%	0.0%	2.2%	3.1%

*Only for members who retired after 12/31/09

Public Employees' Retirement Fund (PERF)

Fund Overview

As of June 30, 2016 (Estimate)

MEMBERSHIP: *Full-time employees of the state and political subdivisions that elect to participate*

TYPE: *Defined Benefit - Hybrid (Defined Benefit + Annuity Savings Account)*

FUNDED RATIO: *79.1% (Estimate)*

UNFUNDED LIABILITY: *\$3,856 M (Estimate)*

BENEFITS¹

Benefit Formula: *1.1% x Avg. High 5 Yr. Salary x Yrs. Service (plus ASA)*

Vesting: *DB - 10 years, ASA - Immediate*

Full Retirement Age: *65 w/ 10 years service, 60 w/ 15 years service, 55 - rule of 85*

Avg. Overall Annual Retiree Benefit (2015): *\$9,528 (ASA Annuitized)*

Actual	Projected Benefit Payments ²		
FY16	FY17	FY18	FY19
\$787M	\$841 M	\$889 M	\$937M

FUNDING SOURCES

Member Contribution: *3% salary to member ASA*

General Fund Appropriation: *Pre-Funded 13th Check*

Soft Freeze Payments

Employer Contribution (State): *Board Approved Rate (FY16 = 11.2%; FY17 = 11.2%)*

Employer Contribution (Subdivisions): *Board Approved Rate (FY16 = 11.1%; FY17 = 11.2%)*

Actual	Projected Contributions ³		
FY16	FY17	FY18	FY19
\$159 M	\$151 M	\$153 M	\$155 M
\$ 9 M	-	-	-
\$ 59 M	-	-	-
\$183 M	\$188 M	\$180 M	\$175 M
<u>\$ 365 M</u>	<u>\$ 376 M</u>	<u>\$ 381 M</u>	<u>\$386 M</u>
\$775 M	\$715 M	\$714 M	\$716 M

¹ Actual and Projected Benefit Payments include ASA Annuity payments

² Based on the 6/30/2015 Actuarial Valuation. FY17, FY18 and FY19 projected benefit payments could change.

³ Based on the preliminary 6/30/2016 Actuarial Valuation. FY18 and FY19 projected contributions could change.

Teachers' Retirement Fund (TRF) – Pre 1996 Account Fund Overview

As of June 30, 2016 (Estimate)

MEMBERSHIP: Teachers of K12 public schools and certain state universities hired prior to July 1, 1995

TYPE: Defined Benefit - Hybrid (Defined Benefit + Annuity Savings Account)

FUNDED RATIO: 29.7% (Estimate)

UNFUNDED LIABILITY: \$11,831 M (Estimate)

BENEFITS¹

Benefit Formula: $1.1\% \times \text{Avg. High 5 Yr. Salary} \times \text{Yrs. Service (plus ASA)}$

Vesting: DB - 10 years, ASA - Immediate

Full Retirement Age: 65 w/ 10 years service, 60 w/ 15 years service, or 55 with the Rule of 85

Avg. Overall Annual Retiree Benefit (2015): \$19,992 (ASA Annuitized)

Actual	Projected Benefit Payments ²		
FY16	FY17	FY18	FY19
\$1,118 M	\$1,150 M	\$1,183 M	\$ 1,213 M

FUNDING SOURCES

Member Contribution: 3% salary to member ASA

General Fund Appropriation: Pre-96 Pay-as-you-go benefit obligation

General Fund Appropriation: Pre-Funded 13th Check (Includes FY16 and FY17)

Pension Stabilization Fund: Lottery (Pre-96)

Other: Pre-96 Employer Contribution (AOS, FSP, HEP)

Actual	Projected Contributions ²		
FY16	FY17	FY18	FY19
\$ 31 M	\$ 28 M	\$ 25 M	\$ 22 M
\$817 M	\$841 M	\$866 M	\$892 M
\$ 41 M		-	-
\$ 30 M	\$ 30 M	\$ 30 M	\$ 30 M
\$ 5 M	\$ 6 M	\$ 7 M	\$ 7 M
\$ 924 M	\$ 905 M	\$ 928 M	\$ 951 M

¹ Actual and Projected Benefit Payments include ASA Annuity payments

² Based on the 6/30/2015 Actuarial Valuation. FY17, FY18 and FY19 projected benefit payments could change.

Teachers' Retirement Fund (TRF) – 1996 Account Fund Overview

As of June 30, 2016 (Estimate)

MEMBERSHIP: *Teachers of K12 public schools and certain state universities hired after June 30, 1995*

TYPE: *Defined Benefit - Hybrid (Defined Benefit + Annuity Savings Account)*

FUNDED RATIO: *91.8%(Estimate)*

UNFUNDED LIABILITY: *\$526 M (Estimate)*

BENEFITS¹

Benefit Formula: *1.1% x Avg. High 5 Yr. Salary x Yrs. Service (plus ASA)*

Vesting: *DB - 10 years, ASA - Immediate*

Full Retirement Age: *65 w/ 10 years service, 60 w/ 15 years service, or 55 with the Rule of 85*

Avg. Overall Annual Retiree Benefit (2015): *\$18,300 (ASA Annuitized)*

Actual	Projected Benefit Payments ²		
<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
\$ 100 M	\$ 124 M	\$ 138. M	\$ 151 M

FUNDING SOURCES

Member Contribution: *3% salary to member ASA*

Employer Contribution: *1996 Account Board Approved Rate (FY16 & FY17 = 7.5%)*

Actual	Projected Contributions ²		
<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
\$ 88 M	\$ 99 M	\$ 105 M	\$ 112 M
<u>\$ 216 M</u>	<u>\$ 247 M</u>	<u>\$ 263 M</u>	<u>\$ 279 M</u>
\$ 304 M	\$ 346 M	\$ 368 M	\$ 391 M

¹ Actual and Projected Benefit Payments include ASA Annuity payments

² Based on the 6/30/2015 Actuarial Valuation. FY17, FY18 and FY19 projected benefit payments as well as FY18 and FY19 projected contributions could change.

1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund)

Fund Overview

As of June 30, 2016 (Estimate)

MEMBERSHIP: Local full-time police and firefighters hired after April 30, 1977

TYPE: Defined Benefit

FUNDED RATIO: 104.3% (Estimate)

UNFUNDED LIABILITY: \$0M, overfunded by \$216M (Estimate)

BENEFITS

Benefit Formula: 50% of first class officer salary plus 1% for each 6 months after 20 years, capped at 12%.

Vesting: 20 years

Full Retirement Age: 52 with at least 20 years service

Avg. Overall Annual Retiree Benefit (2015): \$25,788

Actual	Projected Benefit Payments ¹		
<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
\$128 M	\$164 M	\$177 M	\$187 M

FUNDING SOURCES

Member Contribution: 6% of first class officer salary (max. 32 years)

Employer Contribution: 1996 Account Board Approved Rate (FY16= 19.70%; FY17 = 17.50%)

Actual	Projected Contributions ¹		
<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
\$45 M	\$46 M	\$46 M	\$46 M
<u>\$151 M</u>	<u>\$146 M</u>	<u>\$146 M</u>	<u>\$146 M</u>
\$196 M	\$192 M	\$192 M	\$192 M

¹ Based on the 6/30/2015 Actuarial Valuation. FY17, FY18 and FY19 projected benefit payments as well as FY18 and FY19 projected contributions could change.

Judges' Retirement System Fund Overview

As of June 30, 2016 (Estimate)

MEMBERSHIP: *Judges and Magistrates of the Supreme Court of the State of Indiana, Court of Appeals, Indiana Tax Court, Circuit Court or County Courts.*

TYPE: *Defined Benefit - Consists of two plans: 1977 System and the 1985 System*

FUNDED RATIO: *93.7% (Estimate)*

UNFUNDED LIABILITY: *\$31.7 M (Estimate)*

BENEFITS

Benefit Formula: *Final Salary x percent factor established in IAC (24% - 60%) based on years of service*

Vesting: *8 years*

Full Retirement Age: *65 with at least 8 years service, or age 55 under the Rule of 85*

Avg. Overall Annual Retiree Benefit (2015): *\$56,988*

Actual FY16	Projected Benefit Payments ¹		
	FY17	FY18	FY19
\$20.9 M	\$27.0 M	\$29.0 M	\$31.0 M

FUNDING SOURCES

Member Contribution: *6% salary (max. 22 years)*

General Fund Appropriation: *Actuarially Calculated*

Other: *Certain docket and court fees*

Actual FY16	Projected Contributions ²		
	FY17	FY18	FY19
\$ 3.0 M	\$3.0 M	\$3.1 M	\$3.1 M
\$ 9.8 M	\$ 9.7 M	\$ 8.0 M	\$ 9.5 M
<u>\$ 7.2 M</u>	<u>\$ 7.1 M</u>	<u>\$ 7.1 M</u>	<u>\$ 7.1 M</u>
\$20.0 M	\$ 19.8 M	\$ 18.2 M	\$ 19.7 M

¹ Based on the 6/30/2015 Actuarial Valuation. FY17, FY18 and FY19 projected benefit payments could change.

² Based on the preliminary 6/30/2016 Actuarial Valuation. FY18 and FY19 projected General Fund Appropriation could change.

State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan Fund Overview

As of June 30, 2016 (Estimate)

MEMBERSHIP: *State Excise Police, Gaming Agents, Gaming Control Officers, and Conservation Enforcement Officers*

TYPE: *Defined Benefit*

FUNDED RATIO: *85.3% (Estimate)*

UNFUNDED LIABILITY: *\$20.5 M (Estimate)*

BENEFITS

Benefit Formula: $[(\text{Average high five salary} \times 25\%) + (1.67\% \times \text{yrs service beyond 10 years})]; \text{ capped at } 75\%$

Vesting: *15 years*

Full Retirement Age: *Mandatory @ age 65, at age 55 the Rule of 85 applies, & age 50 with 25 years of service*

Avg. Overall Annual Retiree Benefit (2015): *\$25,164*

Actual	Projected Benefit Payments ¹		
<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
\$ 6.1 M	\$ 6.8 M	\$ 7.1 M	\$ 7.5 M

FUNDING SOURCES

Member Contribution: *4% of total salary*

General Fund Appropriation: *Pre-Funded 13th Check*

Employer Contribution: *Board Approved Rate (FY16 & FY17 = 20.75%)*

Actual	Projected Contributions ²		
<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
\$ 1.0 M	\$ 1.0 M	\$ 1.1 M	\$ 1.1 M
\$.1 M		-	-
<u>\$ 5.3 M</u>	<u>\$ 5.4 M</u>	<u>\$ 5.7 M</u>	<u>\$ 5.7 M</u>
\$ 6.4 M	\$ 6.4 M	\$ 6.8 M	\$ 6.8 M

¹ Based on the 6/30/2015 Actuarial Valuation. FY17, FY18 and FY19 projected benefit payments could change.

² Based on the preliminary 6/30/2016 Actuarial Valuation. FY18 and FY19 projected contributions could change.

Prosecuting Attorneys' Retirement Fund (PARF)

Fund Overview

As of June 30, 2016 (Estimate)

MEMBERSHIP: Prosecutors or chief deputy prosecutors serving after December 31, 1989, Executive Director or Assistant Executive Director of the Prosecutors Council, or state paid deputy prosecuting attorney hired after June 30, 1995.

TYPE: Defined Benefit

FUNDED RATIO: 66.9% (Estimate)

UNFUNDED LIABILITY: \$28 M (Estimate)

BENEFITS

Benefit Formula: High Salary x percent factor established in IAC (24% - 60%) based on years of service

Vesting: 8 years

Full Retirement Age: 65 with at least 8 years service, or 55 with the Rule of 85

Avg. Overall Annual Retiree Benefit (2015): \$22,380

Actual FY16	Projected Benefit Payments ¹		
	FY17	FY18	FY19
\$ 0.4 M	\$ 0.4 M	\$ 0.4 M	\$ 0.4 M

FUNDING SOURCES

Member Contribution: 6% of Salary

General Fund Appropriation: Actuarially Calculated for the DB plan

Actual FY16	Projected Contributions ²		
	FY17	FY18	FY19
\$ 1.3 M	\$ 1.5 M	\$ 1.5 M	\$ 1.5 M
\$ 1.4 M	\$ 1.3 M	\$ 2.7 M	\$ 3.1 M
\$ 2.7 M	\$ 2.8 M	\$ 4.2 M	\$ 4.6 M

¹ Based on the 6/30/2015 Actuarial Valuation. FY17, FY18 and FY19 projected benefit payments could change.

² Based on the preliminary 6/30/2016 Actuarial Valuation. FY18 and FY19 projected General Fund Appropriation could change.

Legislators' Retirement System Fund Overview

As of June 30, 2016 (Estimate)

MEMBERSHIP: *Members of the Indiana General Assembly*

TYPE: *Defined Benefit - Members serving on April 30, 1989 who elected to participate*
Defined Contribution - Members serving on or after April 30, 1989 who elect to participate

FUNDING RATIO: *80.7% (Estimate)*

UNFUNDED LIABILITY: *\$ 0.8 M (Estimate)*

BENEFITS

Benefit Formula: *Lesser of \$480 x yrs service before '89 or high consecutive three year salary*
 Vesting: *10 years*

Full Retirement Age: *65 with at least 10 years service, 55 with the Rule of 85, or 60 w/ 15 yrs service*

Avg. Overall Annual Retiree Benefit (2015): \$5,376 (DB Plan Only)

Actual	Projected Benefit Payments ¹		
<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
\$ 0.4 M	\$ 0.4 M	\$ 0.4 M	\$ 0.4 M

FUNDING SOURCES

Employer Contribution: *State rate for PERF plus 3% of salary for the DC plan*

General Fund Appropriation: *Actuarially Calculated Contribution for the DB plan*

Actual	Projected Contributions ²		
<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
\$ 1.8 M	\$ 1.8 M	\$ 1.8 M	\$ 1.8 M
<u>\$ 0.1 M</u>	<u>\$ 0.1 M</u>	<u>\$ 0.2 M</u>	<u>\$ 0.3 M</u>
\$ 1.9 M	\$ 1.9 M	\$ 2.0 M	\$ 2.1 M

¹ Based on the 6/30/2015 Actuarial Valuation. FY17, FY18 and FY19 projected benefit payments could change.

² Based on the preliminary 6/30/2016 Actuarial Valuation. FY18 and FY19 projected General Fund Appropriation could change.